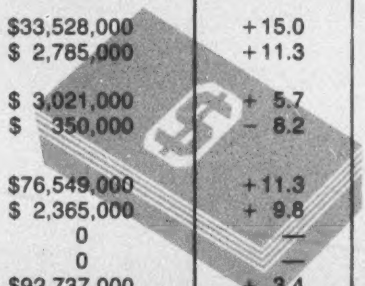
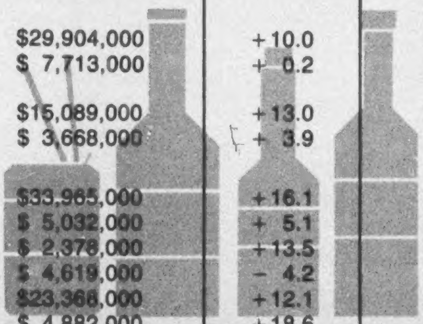
BANKS, SAVINGS & LOANS: $217,254,000 UP 8.2%



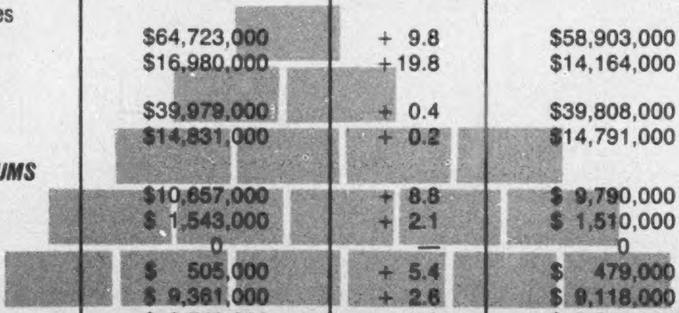
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$33,528,000	+15.0	$29,139,000	+13.2
(Travel)	$ 2,785,000	+11.3	$ 2,502,000	− 2.6
Dealer Incentives				
(Merchandise)	$ 3,021,000	+ 5.7	$ 2,856,000	+13.1
(Travel)	$ 350,000	− 8.2	$ 381,000	+20.9
CONSUMER PREMIUMS				
Self-Liquidator	$76,549,000	+11.3	$68,757,000	+12.3
Free Mail-In	$ 2,365,000	+ 9.8	$ 2,152,000	+14.3
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$92,737,000	+ 3.4	$89,641,000	+20.1
Sweepstakes	$ 5,919,000	+11.6	$ 5,303,000	+11.1

BEER, ALE, SOFT DRINKS: $130,618,000 UP 11%



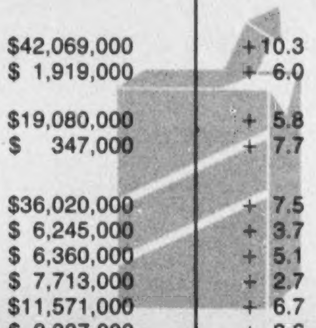
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$29,904,000	+10.0	$27,163,000	+11.9
(Travel)	$ 7,713,000	+ 0.2	$ 7,694,000	+15.0
Dealer Incentives				
(Merchandise)	$15,089,000	+13.0	$13,349,000	+11.4
(Travel)	$ 3,668,000	+ 3.9	$ 3,528,000	+13.1
CONSUMER PREMIUMS				
Self-Liquidator	$33,965,000	+16.1	$29,241,000	+ 5.3
Free Mail-In	$ 5,032,000	+ 5.1	$ 4,787,000	+14.2
Coupon Plan	$ 2,378,000	+13.5	$ 2,095,000	+13.6
Factory Pack	$ 4,619,000	− 4.2	$ 4,817,000	+11.9
Direct Premiums	$23,366,000	+12.1	$20,830,000	+13.3
Sweepstakes	$ 4,882,000	+18.6	$ 4,115,000	+ 6.0

BUILDING MATERIALS: $162,322,000 UP 6.6%



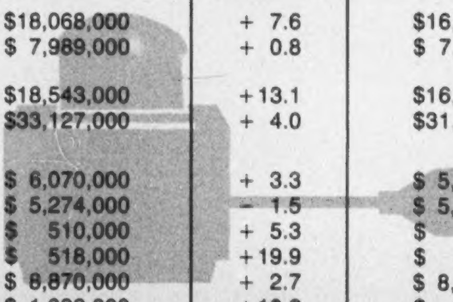
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$64,723,000	+ 9.8	$58,903,000	+11.7
(Travel)	$16,980,000	+19.8	$14,164,000	+25.2
Dealer Incentives				
(Merchandise)	$39,979,000	+ 0.4	$39,808,000	+14.6
(Travel)	$14,831,000	+ 0.2	$14,791,000	+16.1
CONSUMER PREMIUMS				
Self-Liquidator	$10,657,000	+ 8.8	$ 9,790,000	+13.3
Free Mail-In	$ 1,543,000	+ 2.1	$ 1,510,000	+15.0
Coupon Plan	0	—	0	—
Factory Pack	$ 505,000	+ 5.4	$ 479,000	+18.8
Direct Premiums	$ 9,361,000	+ 2.6	$ 9,118,000	+ 6.9
Sweepstakes	$ 3,743,000	+ 2.9	$ 3,635,000	+19.5

DETERGENTS & CLEANSERS: $133,661,000 UP 7.5%



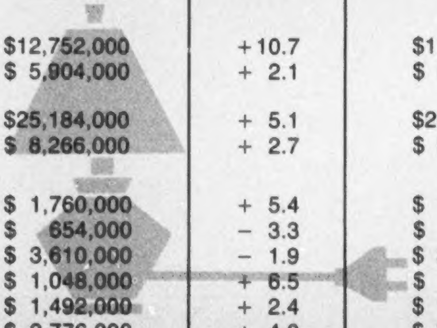
	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$42,069,000	+10.3	$38,108,000	+18.4
(Travel)	$ 1,919,000	+ 6.0	$ 1,809,000	+ 8.9
Dealer Incentives				
(Merchandise)	$19,080,000	+ 5.8	$18,024,000	+ 9.7
(Travel)	$ 347,000	+ 7.7	$ 322,000	+14.5
CONSUMER PREMIUMS				
Self-Liquidator	$36,020,000	+ 7.5	$33,485,000	+14.6
Free Mail-In	$ 6,245,000	+ 3.7	$ 6,022,000	+18.7
Coupon Plan	$ 6,360,000	+ 5.1	$ 6,061,000	+20.1
Factory Pack	$ 7,713,000	+ 2.7	$ 7,505,000	+13.3
Direct Premiums	$11,571,000	+ 6.7	$10,837,000	+16.2
Sweepstakes	$ 2,337,000	+ 8.6	$ 2,150,000	+ 1.8

ELECTRIC APPLIANCES: $100,301,000 UP 5.6%



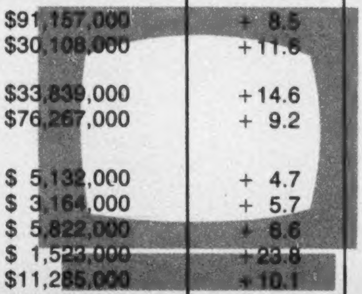
	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$18,068,000	+ 7.6	$16,790,000	+16.8
(Travel)	$ 7,989,000	+ 0.8	$ 7,925,000	+29.3
Dealer Incentives				
(Merchandise)	$18,543,000	+13.1	$16,394,000	+12.0
(Travel)	$33,127,000	+ 4.0	$31,847,000	+12.3
CONSUMER PREMIUMS				
Self-Liquidator	$ 6,070,000	+ 3.3	$ 5,874,000	+18.6
Free Mail-In	$ 5,274,000	– 1.5	$ 5,354,000	+11.0
Coupon Plan	$ 510,000	+ 5.3	$ 484,000	+17.1
Factory Pack	$ 518,000	+19.9	$ 432,000	+13.3
Direct Premiums	$ 8,870,000	+ 2.7	$ 8,629,000	+13.2
Sweepstakes	$ 1,332,000	+10.2	$ 208,000	+11.1

ELECTRICAL & LIGHTING EQUIPMENT: $63,446,000 UP 5%



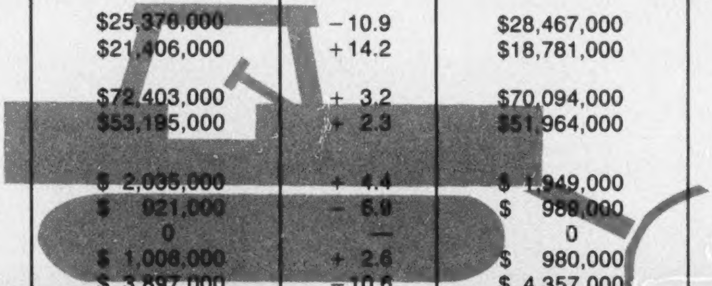
	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$12,752,000	+10.7	$11,519,000	+18.8
(Travel)	$ 5,904,000	+ 2.1	$ 5,778,000	+16.5
Dealer Incentives				
(Merchandise)	$25,184,000	+ 5.1	$23,942,000	+13.7
(Travel)	$ 8,266,000	+ 2.7	$ 8,045,000	+15.0
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,760,000	+ 5.4	$ 1,669,000	+11.1
Free Mail-In	$ 654,000	– 3.3	$ 676,000	+14.3
Coupon Plan	$ 3,610,000	– 1.9	$ 3,678,000	+15.0
Factory Pack	$ 1,048,000	+ 6.5	$ 984,000	+13.4
Direct Premiums	$ 1,492,000	+ 2.4	$ 1,457,000	+10.5
Sweepstakes	$ 2,776,000	+ 4.0	$ 2,668,000	+18.0

ELECTRONICS, RADIO, TV: $261,700,000 UP 9.8%



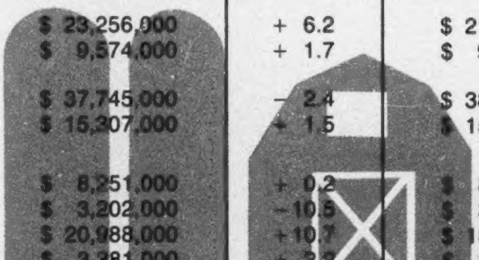
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$91,157,000	+ 8.5	$83,995,000	+13.9
(Travel)	$30,108,000	+11.6	$26,961,000	+29.6
Dealer Incentives				
(Merchandise)	$33,839,000	+14.6	$29,506,000	+14.5
(Travel)	$76,267,000	+ 9.2	$69,782,000	+18.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 5,132,000	+ 4.7	$ 4,897,000	+19.5
Free Mail-In	$ 3,164,000	+ 5.7	$ 2,991,000	+89.0
Coupon Plan	$ 5,822,000	+ 6.6	$ 5,457,000	+14.9
Factory Pack	$ 1,523,000	+23.8	$ 1,230,000	+13.0
Direct Premiums	$11,285,000	+10.1	$10,246,000	+18.2
Sweepstakes	$ 3,403,000	+ 6.2	$ 3,202,000	+14.8

FARM EQUIPMENT: $181,918,000 UP 1.3%



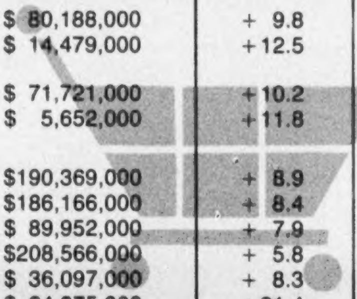
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$25,376,000	−10.9	$28,467,000	+ 4.6
(Travel)	$21,406,000	+14.2	$18,781,000	+ 1.9
Dealer Incentives				
(Merchandise)	$72,403,000	+ 3.2	$70,094,000	+ 0.9
(Travel)	$53,195,000	+ 2.3	$51,964,000	+ 9.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,035,000	+ 4.4	$ 1,949,000	+ 5.2
Free Mail-In	$ 921,000	− 6.9	$ 988,000	− 7.8
Coupon Plan	0	—	0	—
Factory Pack	$ 1,006,000	+ 2.6	$ 980,000	− 2.3
Direct Premiums	$ 3,897,000	−10.6	$ 4,357,000	+ 4.2
Sweepstakes	$ 1,619,000	−11.9	$ 1,836,000	− 9.6

FEED, FERTILIZER, FARM SUPPLIES: $140,419,000 UP 1.5%



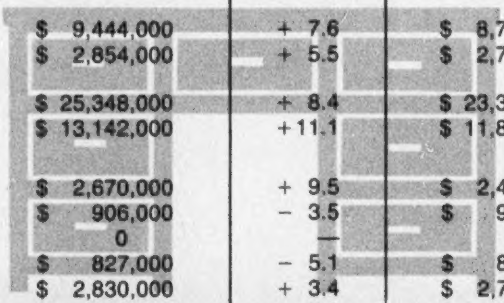
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 23,256,000	+ 6.2	$ 21,895,000	+19.7
(Travel)	$ 9,574,000	+ 1.7	$ 9,410,000	+12.5
Dealer Incentives				
(Merchandise)	$ 37,745,000	− 2.4	$ 38,661,000	+14.4
(Travel)	$ 15,307,000	+ 1.5	$ 15,075,000	+11.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 8,251,000	+ 0.2	$ 8,228,000	+14.2
Free Mail-In	$ 3,202,000	−10.5	$ 3,574,000	+13.1
Coupon Plan	$ 20,988,000	+10.7	$ 18,949,000	+13.0
Factory Pack	$ 3,381,000	+ 2.2	$ 3,308,000	+16.5
Direct Premiums	$ 16,930,000	− 2.0	$ 17,271,000	+ 7.9
Sweepstakes	$ 1,785,000	− 8.3	$ 1,945,000	+20.2

FOOD PRODUCTS: $908,565,000 UP 8.5%



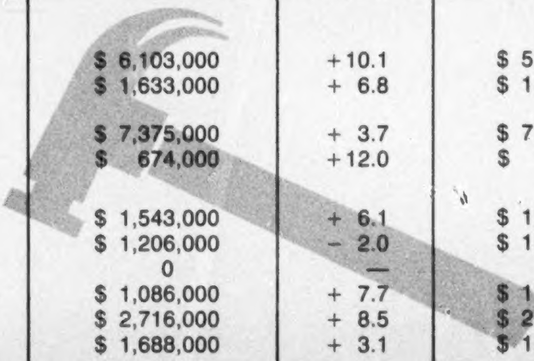
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 80,188,000	+ 9.8	$ 73,025,000	+18.2
(Travel)	$ 14,479,000	+12.5	$ 12,859,000	+13.9
Dealer Incentives				
(Merchandise)	$ 71,721,000	+10.2	$ 65,059,000	+14.4
(Travel)	$ 5,652,000	+11.8	$ 5,053,000	+16.4
CONSUMER PREMIUMS				
Self-Liquidator	$190,369,000	+ 8.9	$174,727,000	+13.2
Free Mail-In	$186,166,000	+ 8.4	$171,618,000	+11.8
Coupon Plan	$ 89,952,000	+ 7.9	$ 83,342,000	+19.0
Factory Pack	$208,566,000	+ 5.8	$197,040,000	+14.2
Direct Premiums	$ 36,097,000	+ 8.3	$ 33,323,000	+22.2
Sweepstakes	$ 24,375,000	+21.4	$ 20,066,000	+16.4

FURNITURE, FLOOR COVERINGS: $59,844,000 UP 8%



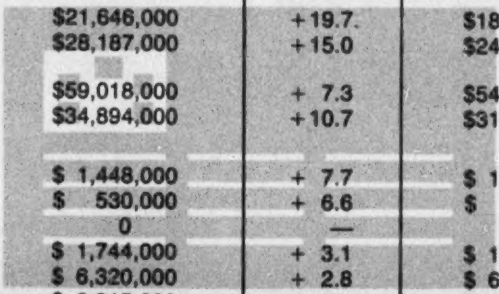
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 9,444,000	+ 7.6	$ 8,770,000	+15.1
(Travel)	$ 2,854,000	+ 5.5	$ 2,704,000	+19.8
Dealer Incentives				
(Merchandise)	$ 25,348,000	+ 8.4	$ 23,371,000	+24.2
(Travel)	$ 13,142,000	+11.1	$ 11,824,000	+14.0
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,670,000	+ 9.5	$ 2,439,000	+19.0
Free Mail-In	$ 906,000	− 3.5	$ 938,000	+22.6
Coupon Plan	0	—	0	—
Factory Pack	$ 827,000	− 5.1	$ 871,000	+13.1
Direct Premiums	$ 2,830,000	+ 3.4	$ 2,735,000	+11.0
Sweepstakes	$ 1,822,000	+ 5.3	$ 1,729,000	+14.6

HARDWARE: $24,024,000 UP 6.2%



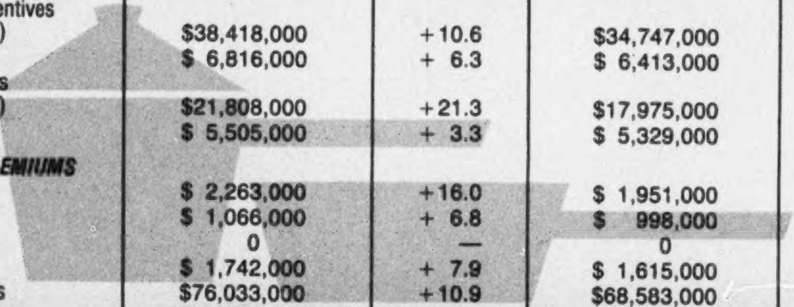
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 6,103,000	+10.1	$ 5,545,000	+15.6
(Travel)	$ 1,633,000	+ 6.8	$ 1,529,000	+18.7
Dealer Incentives				
(Merchandise)	$ 7,375,000	+ 3.7	$ 7,111,000	+16.0
(Travel)	$ 674,000	+12.0	$ 602,000	+15.3
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,543,000	+ 6.1	$ 1,454,000	+10.0
Free Mail-In	$ 1,206,000	− 2.0	$ 1,230,000	+13.9
Coupon Plan	0	—	0	—
Factory Pack	$ 1,086,000	+ 7.7	$ 1,008,000	+ 9.8
Direct Premiums	$ 2,716,000	+ 8.5	$ 2,503,000	+ 9.6
Sweepstakes	$ 1,688,000	+ 3.1	$ 1,637,000	+13.7

HEATING, AIR CONDITIONING: $156,102,000 UP 10.7%



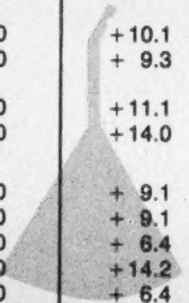
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$21,646,000	+19.7.	$18,089,000	+12.0
(Travel)	$28,187,000	+15.0	$24,519,000	+14.1
Dealer Incentives				
(Merchandise)	$59,018,000	+ 7.3	$54,987,000	+13.7
(Travel)	$34,894,000	+10.7	$31,519,000	+17.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,448,000	+ 7.7	$ 1,344,000	+16.1
Free Mail-In	$ 530,000	+ 6.6	$ 497,000	+16.3
Coupon Plan	0	—	0	—
Factory Pack	$ 1,744,000	+ 3.1	$ 1,691,000	+11.1
Direct Premiums	$ 6,320,000	+ 2.8	$ 6,148,000	+12.4
Sweepstakes	$ 2,315,000	+ 2.4	$ 2,261,000	+11.4

HOUSEWARES, FURNISHINGS: $155, 203,000 UP 11.6%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$38,418,000	+10.6	$34,747,000	+10.0
(Travel)	$ 6,816,000	+ 6.3	$ 6,413,000	+ 9.0
Dealer Incentives				
(Merchandise)	$21,808,000	+21.3	$17,975,000	+11.1
(Travel)	$ 5,505,000	+ 3.3	$ 5,329,000	+13.1
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,263,000	+16.0	$ 1,951,000	+ 4.9
Free Mail-In	$ 1,066,000	+ 6.8	$ 998,000	+ 6.4
Coupon Plan	0	—	0	—
Factory Pack	$ 1,742,000	+ 7.9	$ 1,615,000	+12.2
Direct Premiums	$76,033,000	+10.9	$68,583,000	+ 5.8
Sweepstakes	$ 1,552,000	+ 8.1	$ 1,436,000	+11.4

INDUSTRIAL CHEMICALS: $56,114,000 UP 0.7%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 9,881,000	+10.1	$ 8,739,000	+14.3
(Travel)	$ 3,910,000	+ 9.3	$ 3,576,000	+17.0
Dealer Incentives				
(Merchandise)	$ 22,819,000	+11.1	$ 20,531,000	+17.4
(Travel)	$ 5,296,000	+14.0	$ 4,647,000	+20.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,088,000	+ 9.1	$ 997,000	+13.3
Free Mail-In	$ 986,000	+ 9.1	$ 904,000	+14.0
Coupon Plan	$ 7,644,000	+ 6.4	$ 7,184,000	+14.2
Factory Pack	$ 1,043,000	+14.2	$ 913,000	+13.3
Direct Premiums	$ 2,532,000	+ 6.4	$ 2,379,000	+17.7
Sweepstakes	$ 915,000	+13.2	$ 808,000	+12.1

INSURANCE: $318,560,000 UP 11.9%

	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$122,391,000	+10.9	$110,313,000	+13.7
(Travel)	$101,698,000	+11.2	$ 91,484,000	+13.1
Dealer Incentives				
(Merchandise)	$ 8,024,000	+ 8.9	$ 7,365,000	+13.7
(Travel)	$ 34,432,000	+17.7	$ 29,250,000	+18.6
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,682,000	+10.1	$ 1,528,000	+17.3
Free Mail-In	$ 39,642,000	+12.1	$ 35,371,000	+13.5
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$ 6,472,000	+13.5	$ 5,703,000	+14.2
Sweepstakes	$ 4,219,000	+15.0	$ 3,670,000	+14.2

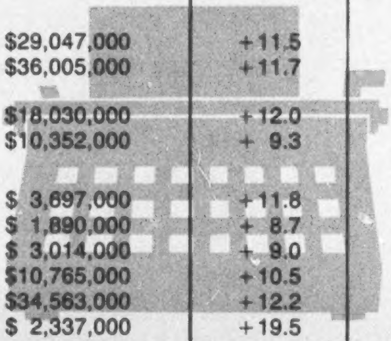
LUGGAGE, JEWELRY, ACCESSORIES: $16,836,000 UP 9.9%

	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 5,073,000	+10.4	$ 4,595,000	+10.4
(Travel)	$ 1,864,000	+12.2	$ 1,662,000	+13.8
Dealer Incentives				
(Merchandise)	$ 3,673,000	+16.7	$ 3,148,000	+19.7
(Travel)	$ 433,000	+ 9.1	$ 397,000	+15.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,102,000	+ 5.9	$ 1,984,000	+14.0
Free Mail-In	$ 420,000	+ 7.4	$ 391,000	+13.7
Coupon Plan	0	—	0	—
Factory Pack	$ 231,000	+14.4	$ 202,000	+11.0
Direct Premiums	$ 1,633,000	+ 8.6	$ 1,503,000	+11.0
Sweepstakes	$ 1,407,000	− 2.5	$ 1,443,000	+11.8

MACHINERY & SUPPLIES: $74,054,000 UP 10.5%

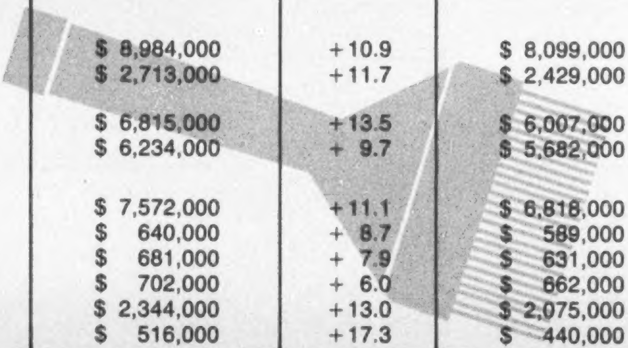
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$37,890,000	+12.3	$33,741,000	+17.8
(Travel)	$17,197,000	+ 7.4	$16,013,000	+14.0
Dealer Incentives				
(Merchandise)	$ 5,097,000	+10.2	$ 4,626,000	+10.7
(Travel)	$ 5,641,000	+10.7	$ 5,096,000	+13.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,435,000	+ 4.5	$ 2,330,000	+ 9.0
Free Mail-In	$ 461,000	+11.4	$ 414,000	+13.1
Coupon Plan	0	—	0	—
Factory Pack	$ 557,000	+ 5.1	$ 530,000	+ 8.6
Direct Premiums	$ 3,072,000	+ 9.3	$ 2,811,000	+ 5.0
Sweepstakes	$ 1,704,000	+18.5	$ 1,438,000	+15.1

OFFICE EQUIPMENT: $149,700,000 UP 11.6%



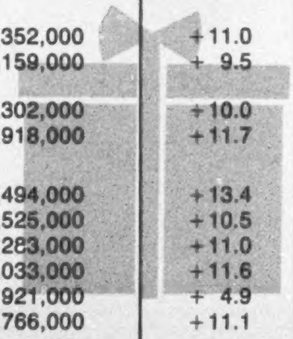
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$29,047,000	+11.5	$26,043,000	+15.8
(Travel)	$36,005,000	+11.7	$32,230,000	+17.9
Dealer Incentives				
(Merchandise)	$18,030,000	+12.0	$16,103,000	+14.2
(Travel)	$10,352,000	+ 9.3	$ 9,469,000	+16.8
CONSUMER PREMIUMS				
Self-Liquidator	$ 3,697,000	+11.8	$ 3,306,000	+17.5
Free Mail-In	$ 1,890,000	+ 8.7	$ 1,738,000	+14.5
Coupon Plan	$ 3,014,000	+ 9.0	$ 2,765,000	+18.1
Factory Pack	$10,765,000	+10.5	$ 9,742,000	+13.0
Direct Premiums	$34,563,000	+12.2	$30,814,000	+17.7
Sweepstakes	$ 2,337,000	+19.5	$ 1,956,000	+13.5

PAINT & VARNISHES: $37,201,000 UP 11.3%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 8,984,000	+10.9	$ 8,099,000	+13.6
(Travel)	$ 2,713,000	+11.7	$ 2,429,000	+13.0
Dealer Incentives				
(Merchandise)	$ 6,815,000	+13.5	$ 6,007,000	+15.0
(Travel)	$ 6,234,000	+ 9.7	$ 5,682,000	+19.0
CONSUMER PREMIUMS				
Self-Liquidator	$ 7,572,000	+11.1	$ 6,818,000	+15.4
Free Mail-In	$ 640,000	+ 8.7	$ 589,000	+ 7.3
Coupon Plan	$ 681,000	+ 7.9	$ 631,000	+11.5
Factory Pack	$ 702,000	+ 6.0	$ 662,000	+11.8
Direct Premiums	$ 2,344,000	+13.0	$ 2,075,000	+16.1
Sweepstakes	$ 516,000	+17.3	$ 440,000	+15.8

PAPER PRODUCTS & PACKAGING: $45,753,000 UP 10.9%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 6,352,000	+11.0	$ 5,720,000	+10.5
(Travel)	$ 6,159,000	+ 9.5	$ 5,623,000	+10.4
Dealer Incentives				
(Merchandise)	$ 7,302,000	+10.0	$ 6,638,000	+13.0
(Travel)	$ 2,918,000	+11.7	$ 2,612,000	+12.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 6,494,000	+13.4	$ 5,727,000	+12.5
Free Mail-In	$ 4,525,000	+10.5	$ 4,096,000	+ 9.0
Coupon Plan	$ 6,283,000	+11.0	$ 5,659,000	+12.5
Factory Pack	$ 3,033,000	+11.6	$ 2,717,000	+12.3
Direct Premiums	$ 921,000	+ 4.9	$ 878,000	+12.0
Sweepstakes	$ 1,766,000	+11.1	$ 1,589,000	+11.2

PETROLEUM PRODUCTS: $169,897,000 DOWN 5.3%

	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$39,989,000	− 3.4	$41,403,000	+15.7
(Travel)	$ 6,371,000	− 4.9	$ 6,698,000	+15.6
Dealer Incentives				
(Merchandise)	$52,177,000	− 5.2	$55,043,000	+12.6
(Travel)	$ 6,613,000	+ 1.6	$ 6,508,000	+14.1
CONSUMER PREMIUMS				
Self-Liquidator	$17,153,000	− 4.9	$18,039,000	+12.3
Free Mail-In	$ 2,181,000	−12.5	$ 2,492,000	+ 4.6
Coupon Plan	$ 3,103,000	+ 2.7	$ 3,021,000	+15.6
Factory Pack	$ 1,521,000	+ 1.9	$ 1,493,000	+13.0
Direct Premiums	$33,834,000	−10.9	$37,959,000	+ 1.2
Sweepstakes	$ 6,955,000	+ 3.7	$ 6,706,000	+15.4

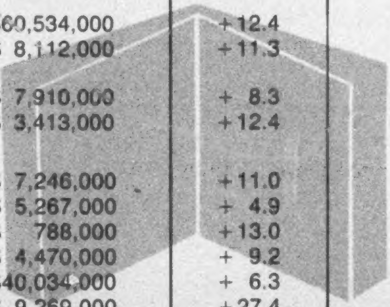
PHARMACEUTICALS: $89,265,000 UP 10.6%

	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$32,090,000	+10.4	$29,072,000	+ 5.2
(Travel)	$ 8,505,000	+10.8	$ 7,678,000	+ 3.9
Dealer Incentives				
(Merchandise)	$13,319,000	+12.7	$11,813,000	+ 9.1
(Travel)	$ 5,239,000	+ 9.3	$ 4,877,000	+13.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 9,025,000	+ 7.4	$ 8,072,000	+13.0
Free Mail-In	$ 2,646,000	+11.8	$ 2,367,000	+21.4
Coupon Plan	$ 3,603,000	+12.0	$ 3,218,000	+12.7
Factory Pack	$ 6,428,000	+ 9.7	$ 5,858,000	+16.8
Direct Premiums	$ 6,843,000	+ 7.3	$ 6,377,000	+11.5
Sweepstakes	$ 1,567,000	+11.6	$ 1,404,000	+13.8

PUBLIC UTILITIES: $15,438,000 DOWN 1.4%

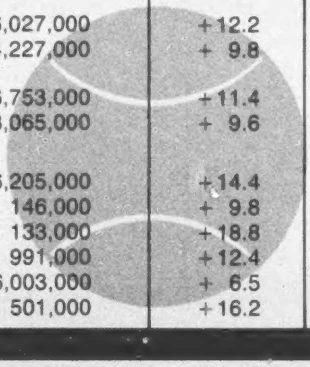
	EXPENDITURES 1981	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1980*	*% CHANGE PRIOR YEAR*
TRADE INCENTIVES				
Sales Force Incentives				
(Mechandise)	$ 3,720,000	+ 0.1	$ 3,685,000	+18.1
(Travel)	$ 1,765,000	+ 2.2	$ 1,727,000	+ 7.5
Dealer Incentives				
(Merchandise)	$ 2,069,000	+10.3	$ 1,875,000	+11.6
(Travel)	$ 211,000	−21.0	$ 267,000	+11.3
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,681,000	− 6.7	$ 1,802,000	+11.6
Free Mail-In	$ 1,756,000	− 2.2	$ 1,796,000	+ 6.6
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$ 3,656,000	− 6.0	$ 3,889,000	+ 7.5
Sweepstakes	$ 580,000	− 4.7	$ 609,000	+12.6

PUBLISHERS, BROADCASTERS: $147,043,000 UP 10.8%



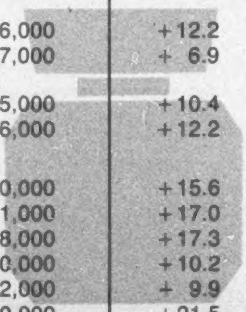
	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sale Force Incentives				
(Merchandise)	$60,534,000	+12.4	$53,841,000	+16.3
(Travel)	$ 8,112,000	+11.3	$ 7,287,000	+14.7
Dealer Incentives				
(Merchandise)	$ 7,910,000	+ 8.3	$ 7,306,000	+13.5
(Travel)	$ 3,413,000	+12.4	$ 3,036,000	+16.1
CONSUMER PREMIUMS				
Self-Liquidator	$ 7,246,000	+11.0	$ 6,527,000	+15.2
Free Mail-In	$ 5,267,000	+ 4.9	$ 5,019,000	+16.8
Coupon Plan	$ 788,000	+13.0	$ 650,000	+14.2
Factory Pack	$ 4,470,000	+ 9.2	$ 4,095,000	+12.6
Direct Premiums	$40,034,000	+ 6.3	$37,661,000	+14.8
Sweepstakes	$ 9,269,000	+27.4	$ 7,278,000	+12.2

SPORTING GOODS & TOYS: $34,051,000 10.9%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 6,027,000	+12.2	$ 5,374,000	+16.1
(Travel)	$ 4,227,000	+ 9.8	$ 3,848,000	+15.6
Dealer Incentives				
(Merchandise)	$ 6,753,000	+11.4	$ 6,062,000	+15.7
(Travel)	$ 3,065,000	+ 9.6	$ 2,796,000	+14.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 6,205,000	+14.4	$ 5,426,000	+16.1
Free Mail-In	$ 146,000	+ 9.8	$ 133,000	+17.7
Coupon Plan	$ 133,000	+18.8	$ 112,000	+14.3
Factory Pack	$ 991,000	+12.4	$ 882,000	+22.5
Direct Premiums	$ 6,003,000	+ 6.5	$ 5,637,000	+12.4
Sweepstakes	$ 501,000	+16.2	$ 431,000	+13.7

TOILETRIES & COSMETICS: $490,145,000 UP 12.3%



	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$157,116,000	+12.2	$140,045,000	+ 9.2
(Travel)	$ 20,067,000	+ 6.9	$ 18,777,000	+13.5
Dealer Incentives				
(Merchandise)	$ 61,295,000	+10.4	$ 55,511,000	+16.2
(Travel)	$ 8,196,000	+12.2	$ 7,304,000	+11.8
CONSUMER PREMIUMS				
Self-Liquidator	$ 89,890,000	+15.6	$ 77,789,000	+16.0
Free Mail-In	$ 14,081,000	+17.0	$ 12,031,000	+11.3
Coupon Plan	$ 10,718,000	+17.3	$ 9,135,000	+15.0
Factory Pack	$ 41,340,000	+10.2	$ 37,510,000	+10.0
Direct Premiums	$ 73,172,000	+ 9.9	$ 66,603,000	+13.3
Sweepstakes	$ 14,270,000	+21.5	$ 11,745,000	+ 9.3

MISCELLANEOUS INDUSTRIES: $865,903,000 UP 3.3%

	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$199,003,000	+ 4.2	$190,981,000	+ 5.6
(Travel)	$ 53,505,000	+ 5.7	$ 50,633,000	+ 7.9
Dealer Incentives				
(Merchandise)	$151,122,000	+ 4.8	$144,239,000	+ 6.7
(Travel)	$ 67,331,000	+ 5.9	$ 63,586,000	+ 6.1
CONSUMER PREMIUMS				
Self-Liquidator	$ 88,263,000	+ 3.2	$ 85,486,000	+10.0
Free Mail-In	$ 63,075,000	+ 5.0	$ 60,046,000	+ 9.1
Coupon Plan	$ 34,196,000	+ 4.4	$ 32,769,000	+11.3
Factory Pack	$ 45,806,000	− 2.8	$ 47,142,000	+ 4.8
Direct Premiums	$127,748,000	− 1.7	$129,961,000	+ 6.3
Sweepstakes	$ 35,854,000	+ 8.6	$ 33,022,000	+ 5.6

DISTRIBUTORS, WHOLESALERS: $666,788,000 UP 5.5%

	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$221,390,000	+ 5.2	$210,402,000	+ 8.5
(Travel)	$ 15,031,000	+ 8.3	$ 13,878,000	+14.8
Dealer Incentives				
(Merchandise)	$ 92,882,000	+ 4.9	$ 88,571,000	+ 9.6
(Travel)	$ 12,011,000	+11.2	$ 10,798,000	+ 7.3
CONSUMER PREMIUMS				
Self-Liquidator	$180,399,000	+ 5.3	$171,276,000	+ 9.9
Free Mail-In	$ 3,443,000	+ 4.9	$ 3,282,000	+14.8
Coupon Plan	$ 84,474,000	+ 4.8	$ 80,597,000	+12.8
Factory Pack	$ 19,162,000	+ 8.0	$ 17,745,000	+ 8.8
Direct Premiums	$ 29,081,000	+ 8.4	$ 26,822,000	+13.8
Sweepstakes	$ 8,915,000	+ 6.0	$ 8,411,000	+14.2

TOTAL INCENTIVE USAGE: $6,568,510,000

	EXPENDITURES 1981	% CHANGE PRIOR YEAR	EXPENDITURES 1980	% CHANGE PRIOR YEAR
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$1,674,390,000	+7.2	$1,561,866,000	+12.1
(Travel)	$ 514,531,000	+9.1	$ 471,446,000	+14.6
Dealer Incentives				
(Merchandise)	$1,090,544,000	+5.4	$1,034,518,000	+9.7
(Travel)	$ 551,987,000	+6.7	$ 517,367,000	+11.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 853,160,000	+7.9	$790,693,000	+12.1
Free Mail-In	$ 362,270,000	+7.5	$337,105,000	+12.1
Coupon Plan	$ 286,092,000	+6.9	$267,595,000	+14.9
Factory Pack	$ 375,973,000	+5.2	$357,434,000	+12.1
Direct Premiums	$ 699,628,000	+4.0	$672,977,000	+11.9
Sweepstakes	$ 159,935,000	+10.9	$144,250,000	+11.1

Sales Incentives

Sales force incentives finished 1981/82 as the best of a bad lot—growing more than any other segment of the field, but not as fast as anticipated. Total spending in 1982 was up 8.5%, for a volume of $2,374,832,000.

Incentives for salespeople were the fastest-growing part of the field in 1981.

So much for superlatives. In relation to expectations, they were the best of a bad lot. During the year it was suggested that '81 would see a big boom in sales incentives—with an increased expenditure by American business at the rate of 20.1 percent.

That was what users' estimates told us in the 1981 survey. Later, the boom went bust. Expansion last year, according to the actual reports now in, was only 7.7 percent.

Since dealer incentives grew by only 5.8 percent, and consumer premiums collectively by 6.5 percent, sales incentives were indeed the leading area of increase—but not by enough to make anyone overly happy about the economy in which they were operating.

Sales incentives had grown by 12.7 percent in 1980, and their traditional role in a recessionary economy was expected to bring even greater reliance on them last year. Motivating the sales force permits a marketer to orchestrate his sales effort most effectively—to fine-tune his approaches at every level. History has proved the premise more than once. But in 1981 it apparently did not work so well as many users had thought it would—or they indulged in major shifts of tactics in some cases.

The failing fortunes of some industry groups that have been big sales incentive users were, certainly, a big element in the considerable drop below forecast.

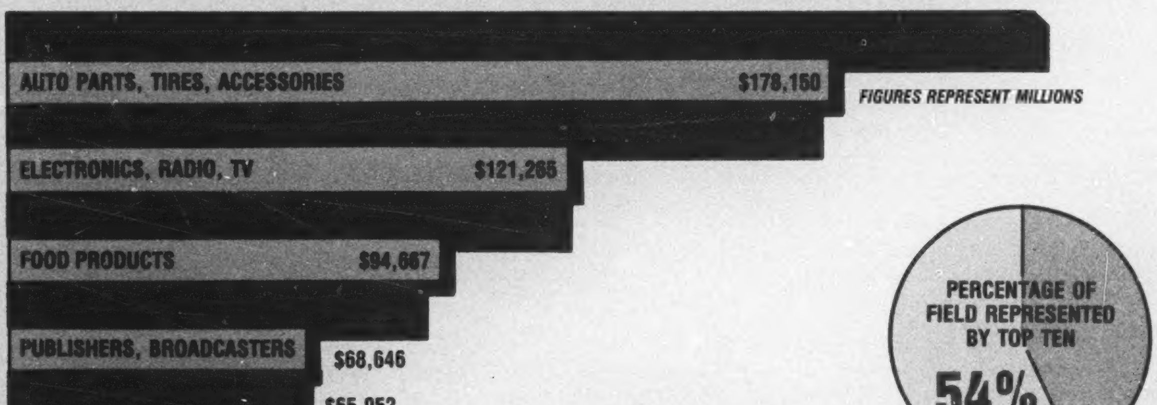
Incentive promotion aimed at salesmen and saleswomen for 1981 consumed 23.4 percent of the nation's total incentive budget—adding up to $2,188,921,000. About 76.5 percent of that expenditure was for merchandise, and 23.5 percent for travel. The respective numbers for the two categories are $1,674,390,000 and $514,531,000. The 23.4 percent share of the total field is just a hair below the 23.5 percent recorded in 1980, the highest since the recession year of 1975, when sales-force motivation accounted for 23.9 percent of the total.

A basic question, though, is whether the users got their money's worth. The answer appears to be a clear "yes," from their reports—although the results were a bit cloudier than a year ago.

While the total reported expenditure for sales incentives last year was only 7.7 percent ahead of 1980, ironically 21 of the 32 industry groups in the IM Census Survey exceeded that rate of expansion, with increases ranging from 7.9 percent to as much as 17 percent. Eight of the Top Ten user industries were among the relatively high gainers.

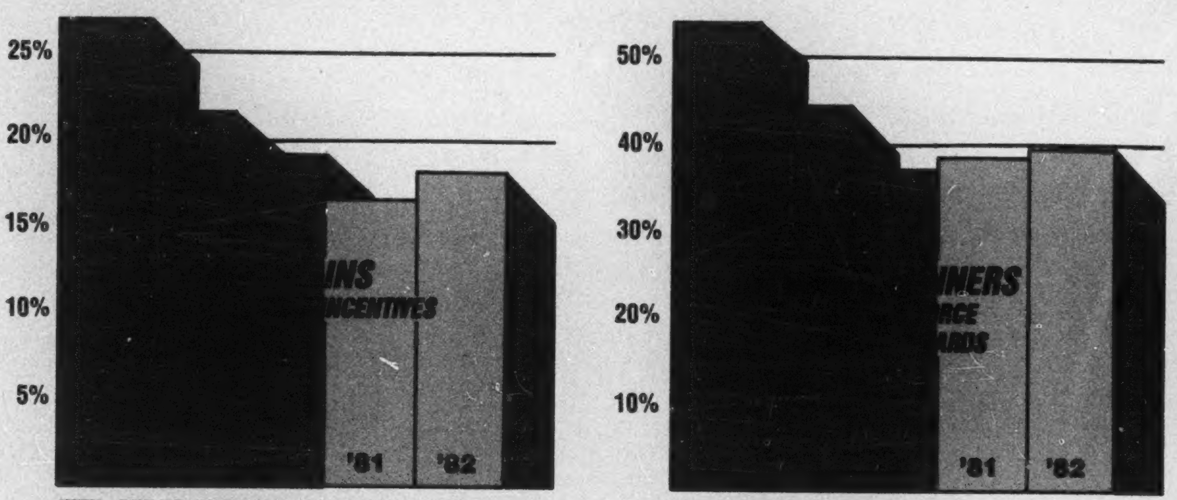
But six industry groups, including two not fully classified, were on the short side and pulled the totals down. The second-largest user, Auto Parts, Accessories & Tires, came in with a 5.4 percent increase in sales incentive expenditures. The fourth-largest, the Automobile & Truck manufacturers, recorded a

TOP TEN SALES INCENTIVE USERS (1981)



FIGURES REPRESENT MILLIONS

(ALL FIGURES IN THOUSANDS—000 OMITTED).



(KEY: RED IS PREVIOUS IM SURVEY GROUPS, TAN IS THIS GROUP'S 1981/82 REPORTS).

drop of 0.7 percent in incentive usage. Two other substantial users, Farm Equipment and Petroleum Products, were also on the losing side, by 0.9 percent and 3.6 percent, respectively.

The two unclassified groups, however, are the two biggest contributors to sales incentive volume—Distributors & Wholesalers, who increased their usage only 5.4 percent, and Miscellaneous Industries (including many industrial manufacturers), who advanced only 4.5 percent in their use of sales force motivational programs. Each of these groups record greater sales incentive volume than the top user, Insurance, and thus they exert a great influence on the totals.

The six industry groups noted as relative losers accounted for a total of 42 percent of all sales incentive expenditures in 1980; last year, they made up 40 percent of the total.

Meanwhile, among the Top Ten, things looked healthier, with eight of them finishing 1981 ahead of the average—by growth rates ranging from 9.3 percent to 12.3 percent. If their performance didn't meet the 20.1 percent earlier forecast, at least they made moves that came closer to it than the average.

The record of industries on the upside of the average came out this way for 1981:

Banks and Savings & Loan	+14.8%
Beer, Ale & Soft Drinks	+ 7.9%
Building Materials	+11.8%
Detergents & Cleansers	+10.2%
Electrical & Lighting Equipment	+ 7.9%
Electronics, Radio & TV	+ 9.3%
Food Products	+10.2%
Hardware	+ 9.4%
Heating & Air-Conditioning	+17.0%
Housewares & Home Furnishings	+ 9.9%
Industrial Chemicals	+12.0%
Insurance	+11.0%
Luggage, Jewelry & Accessories	+10.9%
Machinery & Supplies	+10.7%
Office Eqipment	+11.6%
Paints & Varnishes	+11.1%
Paper Products & Packaging	+10.3%
Pharmaceuticals	+10.5%
Publishers, Printers & Broadcasters	+12.3%
Sporting Goods & Toys	+11.2%
Toiletries	+11.6%

On the down side, in addition to those already noted, are Apparel, with a 3.2 percent increase; Electric Appliances, 5.4 percent; Feed, Fertilizer & Farm Supplies, 4.9 percent; Furniture & Floor Coverings, 7.2 percent; Public Utilities, 1.3 percent.

Among the ten largest user industries, there was no change in the names—but there was a change in their order. Electronics, Radio & TV, up 9.3 percent last year, moved into fourth position, bumping Automobiles & Trucks, which skidded into fifth position with a decline in usage of 0.7 percent since 1980.

The Insurance industry remained the number-one contributor to spending for sales incentives, with an 11 percent advance over the previous year, to a total 1981 volume estimated at $224,089,000—or 10.2 percent of all expenditures of sales force motivation programs. More than 45 percent of the insurance field's sales incentive outlay went for travel programs—and 81 percent of its smaller ($42,456,000) budget for dealers (independent insurance agents) was in the travel column. Insurance firms' incentive expenditures are very largely chargeable to training, with seminars and other educational activities incorporated in the travel programs.

Auto Parts, Accessories & Tires—the automotive aftermarket—is by far the largest single industry using trade incentives, both for dealers and for the sales force. Its volume, even with indifferent increases in 1981, amounted to $356,567,000. Interestingly, it was split almost exactly between sales and dealer incentives, at $178-million plus in each category. It ranks second in the sales incentive area—but in 1981, with a small growth, finished less than a million dollars ahead of the third-place Toiletries group.

With 21 industry groups on the upbeat side of the statistics, the outlook for the effectiveness of sales incentives must be considered positive, in spite of any temporary aberration engendered by the national economy.

Sales incentives in 1981, however, produced a mixed set of results. While the users reporting in this survey showed that their volume gains in incentive campaigns are up this year, compared with 1981 yields, the net is down from that reported in the similar survey a year ago. The earlier study showed an average sales increment of 18.7 percent; the current survey comes to an average of 16 percent for this year—but that is up from 14.7 percent reported for last year by the same companies.

These users also showed some improvement in the level of participation in their sales incentive programs—from 33 percent a year ago to 34 percent in 1982. They gained mainly in merchandise programs—from 36 percent to 39 percent—while qualifiers in their travel promotions slipped a bit from 28 percent to 27 percent.

They are spending considerably more per award than they did in 1981—a unit cost up 22 percent for merchandise and 21 percent higher than last year for travel programs. The average merchandise cost rose from $190 to $231, and the travel figures went from $1152 to $1395. The medians also increased in both cases—from $75 to $100 for merchandise and from $1000 to $1050 for trips.

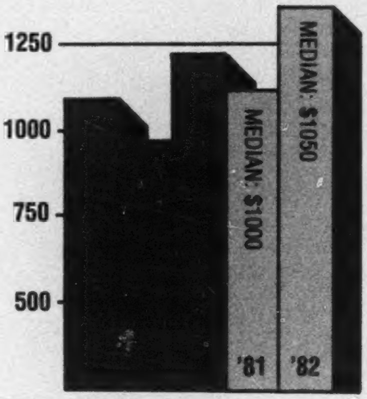
Considering how much more the users are giving each winner, their overall cost in relation to sales is remarkably stable—they obviously have changed their prize structures to get more performance for less total incentive cost, a practice seen in the reports for at least the past two years.

The present figures on program cost as a percentage of incremental sales are, in fact, considerably below those indicated a year ago in the Census Survey. For this year and last, these users told us their merchandise-program cost was 11 percent—that is, for every dollar of added sales volume brought in during the incentive campaign, they spent 11 cents to get it. In the case of travel promotions, the cost has risen from 10 percent a year ago to 11 percent now. This compares most favorably with the averages found in last year's survey—when the users said their merchandise cost had gone from a median of 10 percent to 12 percent, and the travel median advanced from 12 percent to 15 percent.

This measure of cost-effectiveness is mirrored in the surveyed executives' data for dealer incentives too—where the percentage of incremental sales expended also dropped below last year's survey.

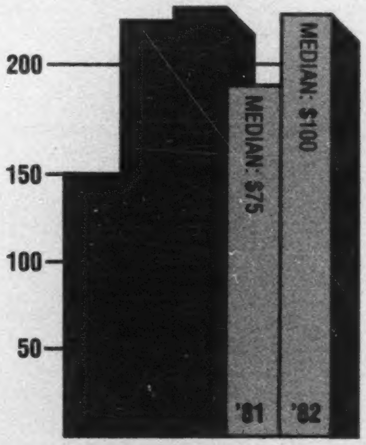
TRAVEL AWARDS
(AVERAGE UNIT COST)

A 21% hike in cost of average trip, going from $1152 last year to $1395. Median cost went from $1000 to $1050. (Key: red is previous IM survey groups, tan is this group's 1981/82 reports).



MERCHANDISE AWARDS

Cost of the average merchandise award rose from $190 to $231, while the median went from $75 to $100. (Key: red is previous IM survey groups, tan is this group's 1981/82 reports).



Even before the Census Survey data were tabulated, the decline in the growth rate of sales incentives became clear—in the results of a special survey in which 217 users reported their experiences (IM July 1982). In that case, the projected usage for 1982 was up only 7.5 percent—a shade lower than the full survey's estimate for last year.

The full survey is, however, a bit more optimistic about 1982's final results—now suggesting that this year's total sales incentive expenditure will rise about 8.5 percent above the 1981 outlay.

Looking farther ahead—to 1983—preliminary indications in both surveys show a tendency to hold back on increases in sales motivation programs. In the special survey, only 33 percent said they plan increases in merchandise usage—43 percent in travel. In the larger Census Survey group, the comparable figures are 38 percent and 41 percent—overall, a slightly stronger indication of expanded activity. But this contrasts with the estimates for 1981 and 1982, in which a majority predicted increasing promotion.

The dollar estimates available at this time for 1982 programs suggest an increase of 7.6 percent in merchandise campaigns and 11.4 percent in travel, for the overall gain of 8.5 percent.

Salespeople are generally considered to be the catalysts that help make things happen at other levels of the distribution chain. That is why sales incentives are usually expected to be the front runners in a recession—capable of exerting influence on the wholesale, retail and consumer levels.

This power of the sales incentive seems to be somewhat short of major success in the reports we are now receiving. The reason is not clear. It may be that users, anticipating an earlier end of the recession, are shifting their emphasis to consumer promotion (they do indicate intention of using 12.1 percent more consumer incentives this year than in 1981)—or it could be the diametric opposite, that the depth of the recession has convinced them that sales force motivation can no longer be expected to have a major impact.

Whatever rationale may be at work, it is evident that sales incentives—although in a depressed state so far as volume usage is concerned—are still performing very well where they are being used vigorously. They will be up a bit next year—perhaps more than forecast, if the economy can smile on us a bit more. ■

Dealer Incentives

Although sales performance and effectiveness hold up well, there has been a progressive tendency to hold the line on dealer incentive costs. The result: 5.8% growth in 1981, and an anticipated 4.0% increase in 1982, bringing the field to $1,708,365,000.

Sagging sales to consumers and tightened inventories appear to have stemmed the expansion of dealer incentives last year to a mere 5.8 percent above the 1980 spending rate. And present indications are that this year's use of the technique will grow even less—probably about 4 percent.

After a fairly weak 1980, occasioned by a tendency to emphasize consumer promotion more, the users surveyed in the middle of '81 indicated they would probably spend about 15 percent more last year. But a lot happened between then and the final reports—or perhaps a lot, economic recovery, did not happen as hoped.

The users of incentives for retailers, wholesalers, and distributors report spending an estimated $1,642,531,000 last year for these promotions—one-third of it for travel, the rest for merchandise offered to the middlemen. That is about $146-million less than had been forecast.

Their travel usage grew slightly more—6.7 percent—than merchandise programs, at an advance of 5.4 percent. Although expansion this year is expected to be small, it seems there will be a fairly large increase in travel usage, but virtually no movement in merchandise programs. Present estimates show travel up 14.1 percent and merchandise possibly down 1.1 percent for this year. This would result in an overall growth of just 4 percent in this segment of the incentive field.

Although the sales performance and effectiveness of dealer promotions is holding up well, according to the users' information, there is a progressive tendency among users to hold the cost line or even cut back. As of now, this will carry over into 1983. Where 53 percent indicated increased spending in 1981, and 52 percent gave the same answer for this year, only 38 percent of them said they would spend more next year.

In travel, their intentions were to increase expenditures this year in about 53 percent of cases—but only 41 percent plan to spend more next year. In all categories, those who expect to stand pat next year are nearly equal—with the higher numbers falling into the "spend less" columns.

The slower growth rate for dealer promotions dropped its shares of the total incentive field from 18 percent in 1979 and 18.3 percent in 1980 to just 17.5 percent last year. Given the early estimates of this year's activity, it is likely this segment of the field will have dropped below 17 percent of the total.

A dealer incentive program generally is intended, in one way or another, to change the trade customer's buying habits. With many retailers today, that may be a very tough assigment. The retailer who is worried about his own volume, and keeping his inventory lean, may be quite difficult to reach. It is interesting to note that, in a special dealer incentive survey early this year (IM April '82), 47 percent of respondents said they were directing their promotions at wholesalers and distributors. About 25 percent are concerned with commercial and industrial dealers; 11 percent service contractors; and only 10 percent consumer-oriented retail establishments. This is a smaller showing for retail stores.

This apparent hold-back of store-aimed promotions may be the major factor in the lagging growth of dealer incentives.

Another source of smaller numbers may be seen in the present survey's reports on cost-effectiveness as it relates to incremental sales. Many of these users apparently have restructured their incentive programs last year and this to reduce their overall costs despite rising merchandise and travel costs. And they have achieved it with some increase in sales performance.

The average sales gain during an incentive promotion this year, as reported in the Census survey, is somewhat lower than that given by the survey group a year ago—15.3 percent compared with 16.7 percent. But for this same group of companies it is a distinct improvement—up from the average 11.7 percent they show for 1981. In both years they reported slightly better results in travel programs than with merchandise.

In participation, too, they are doing better this year. In 1981, they said an average of 29 percent of dealers accepted their merchandise offers; this year, the count is up to 31 percent. In travel, they gained a point, from 24 percent to 25 percent.

The unit cost of incentives used by these marketers has gone up quite a bit on the average, although the median expenditure has changed little. Merchandise incentives have increased in cost by an average of 27 percent—from $150 to $190. But the median remained at $50 in both years, indicating the influence of a few big spenders at the top.

The average trip cost these companies $1168 last year, and that has risen about 17 percent to $1362 in 1982. For travel the medians are not so far from the average—$950 a year ago up to $1000 now. In last year's FACTS survey, the median travel cost had already reached $1000.

Many users apparently have restructured their dealer incentive programs to reduce overall costs despite rising merchandise and travel costs. And they have done it with some increase in sales performance.

The ratio of program costs to incremental sales is the surest measure of the real effectiveness of the effort. If your sales are greater, how much of it did you have to put out to make the incentive work? By this standard, the dealer incentive users in this Census Survey were very successful—more so than reported in several years.

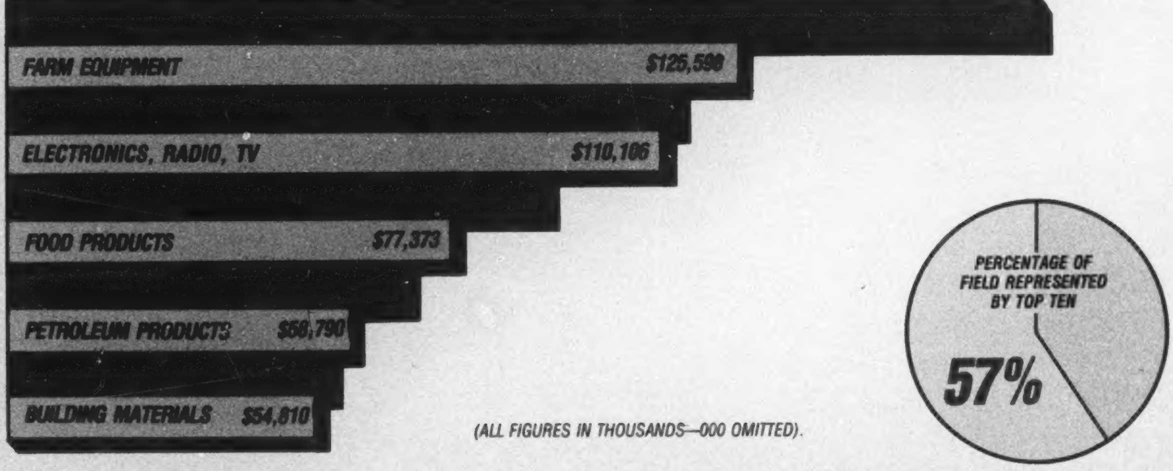
Travel cost them a bit more of the new volume than merchandise, but both have been highly cost-effective in these two years. And the averages did not increase this year.

In merchandise programs, the average cost was 8 percent of incremental sales in both years. For travel, the figure was 9 percent in 1981 and 1982. The medians were 5 percent in three cases, with only travel increasing this year to 6 percent.

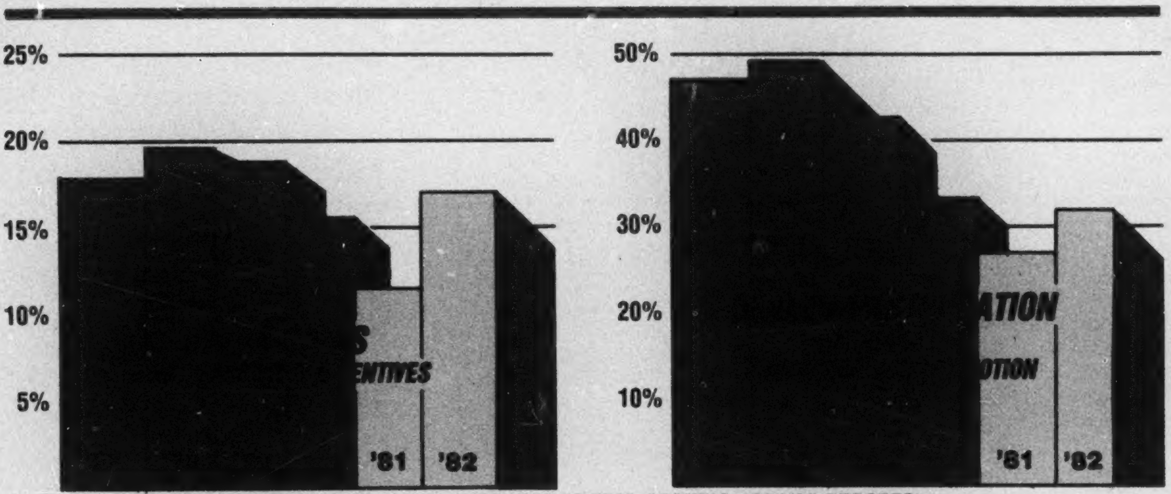
There was no change in the list of the ten largest dealer incentive user industries—but they did not distinguish themselves in growth. Six of the ten were below average in increased expenditure, and three of those actually spent less in 1981 than they had the previous year.

The result of this slow performance by the big users is seen in the fact that 20 of the 32 industry groups reported increased their dealer promotion more than the 5.8 percent average. Nine were be-

TOP TEN DEALER INCENTIVE USERS (1981)



(ALL FIGURES IN THOUSANDS—000 OMITTED).



(KEY: RED IS PREVIOUS IM SURVEY GROUPS, TAN IS THIS GROUP'S 1981/82 REPORTS).

low average in usage growth and three more cut back on dealer incentives. In addition to members of the Top-Ten group, two unclassified groups that are large promoters to dealers—Distributors & Wholesalers and Miscellaneous Industries—also were low in increased spending.

Increasing dealer incentive activity more than the overall average of 5.8 percent were these industries:

Beer, Ale & Soft Drinks	+11.1%
Detergents & Cleansers	+ 5.9%
Electric Appliances	+ 7.1%
Electronics, Radio & TV	+10.9%
Food Products	+10.4%
Furniture & Floor Coverings	+ 9.4%
Heating & Air Conditioning	+ 8.6%
Housewares & Home Furnishings	+17.2%
Industrial Chemicals	+11.7%
Insurance	+16.0%
Luggage, Jewelry & Accessories	+15.8%
Machinery & Supplies	+10.5%
Office Equipment	+11.0%
Paints & Varnishes	+11.6%
Paper Products & Packaging	+10.5%
Pharmaceuticals	+11.2%
Publishers, Printers & Broadcasters	+ 9.5%
Public Utilities	+ 6.4%
Sporting Goods & Toys	+10.8%
Toiletries	+10.6%

The industry groups that were below the average pace of dealer incentive use were:

Apparel	+ 1.6%
Auto Parts, Accessories & Tires	+ 4.8%
Automobiles & Trucks	(− 1.2%)
Banks and Savings & Loan	+ 4.1%
Building Materials	+ 0.4%
Electrical & Lighting Equipment	+ 4.6%
Farm Equipment	+ 2.9%
Feed, Fertilizer, Farm Supplies	(− 1.3%)
Hardware	+ 4.4%
Petroleum Products	(− 4.5%)
Wholesalers & Distributors	+ 5.6%
Miscellaneous Industries	+ 5.1%

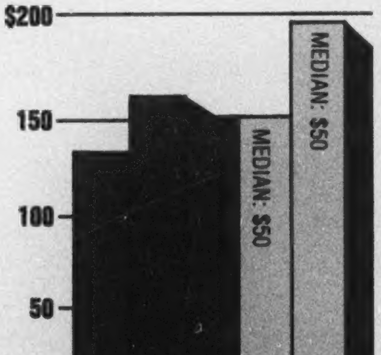
In IM's special survey reported in April 1982, it was found that "buyers are increasingly cautious about future expansion of their dealer incentive programs. About two-thirds plan to continue merchandise and travel promotion at last year's level—a good sign—but far fewer now plan increases than did a year ago."

At that time, we were still looking at a projection of an 11.7 percent increase in dealer incentives—twice the level of the present FACTS figures for last year. But the newest estimates for this year show a probable reverse trend—with growth shrinking even more, possibly to 4 percent, during 1982.

"Increased usage" is, of course, a relative thing. For one company, a

MERCHANDISE AWARDS

Merchandise awards are costing more: an average of $190 against $150 a year ago. Median cost for both years was $50. (Key: red is previous IM survey groups, tan is this group's 1981/82 reports).



5 percent increase can mean an investment of a million dollars. For another, $10,000 may be a 20 percent increase. This can also be seen clearly in the industry patterns in this year's survey reports of 1981 spending. The largest percentage increase—17.2 percent by the Housewares & Home Furnishings industry—amounts to about $4-million. When the automotive aftermarket increases a meager 4.8 percent, it adds more than $8-million to the total.

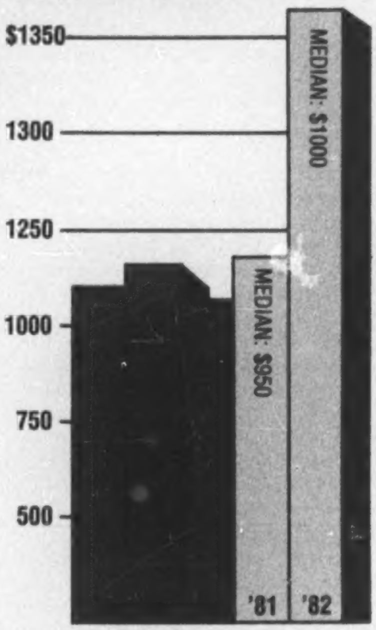
The auto industry, the aftermarket, and the farm equipment industry are the three largest users of dealer incentives. All of them are sick in today's economy. It is, then, hardly surprising that their expenditures are not expanding. However much promotional activity they may generate, the volume used must decline if they are not getting the sales at the former rate.

Dealer incentives cannot change the course of a depressed economy. They can help equalize—and, to a degree, mitigate—the problems for the companies that utilize them aggressively.

It seems very clear from the total picture in the survey that this has been happening. Volume has not declined overall—and the results for the users have been positive on the average. Sales gains and participation have held up or improved. Despite increased incentive costs, overall cost-effectiveness has remained stable.

Dealer incentives, in short, are still working. Given a more friendly world, they will continue to work well for marketers in all industries. ■

TRAVEL AWARDS
AVERAGE (UNIT COST)



The average dealer trip now costs these users $1362, up from $1168 a year ago. The median cost rose slightly, to $1000 from $950. (Key: red is previous IM surveys, tan is this groups's 1981/82 reports).

Incentive Travel

All indications this year find travel once again running ahead of the incentive field, advancing by 12.8% to $1,203,005,000. Travel edged up to represent close to 29% of the trade incentive field.

"Let's Get Away From It All."

An old song may go a long way to explain the mystique of incentive travel that keeps on performing—with minor slowdowns—ahead of most of the incentive business.

Salespeople and dealers have been getting away from it all at a rapidly increasing rate for many years. In 1981, the growth rate slackened to only 7.9 percent over expenditures in the previous year.

But all indications are that this year will find the incentive travel field running ahead once more—at about a 12.8 percent expansion level, compared with the total incentive advance of 9.1 percent now projected.

Incentive travel in 1981 became a $1-billion activity for the first time—rising to an estimated $1,066,518,000 in marketers' expenditures, almost 52 percent of it going for trips for dealers and their spouses, and the rest for sales force motivation.

This year, the FACTS survey information tells us travel awards will probably rise by about 12.8 percent, to a total of $1,203,005,000—representing a growth rate significantly higher than the total incentive field's expected 9.1 percent pace.

In view of the recession that is persisting longer than some had expected, it is possible that the 1982 total of travel spending may fall somewhat short of the forecast when final figures are in early next year. But it is still a strong testimonial for travel that the users in their early planning are embracing it more than most other techniques.

In the case of dealer promotion, they have predicted a very strong

> ***Travel program cost as a percentage of sales holds up well, but has increased slightly from a year ago. This group reports spending 9.7% of incremental sales in 1981, and expects to spend 10.5% in 1982.***

use of travel—up an estimated 14.1 percent this year, while their merchandise projections show a slight downturn of a bit over 1 percent. Sales incentive users are less radical in their planning—but still give travel a heavier vote than merchandise incentives for this year, 11.4 percent to 7.6 percent.

If "Let's Get Away From It All" is ever-popular, "Far-Away Places With Strange-Sounding Names" is less so than in the past. Foreign destinations, which accounted for 57 percent of all incentive travel dollars in 1979, dropped to 42 percent in '80. Last year they regained only a small amount of favor—to 44 percent of the total travel tab. Rapidly climbing airfares, on top of some tax challenges, contributed to a trend toward use of more domestic sites to keep the distances in rein. Fluctuation in costs overseas also played a part in keeping many users and their trip-winners closer to home. In this year's special survey of a select group of 208 travel users (IM October 1982), more than 60 percent of all destinations named by the respondents were domestic—including Hawaii. Hawaii, however, dropped out of its No. 1 position as the top destination, partly because of the airline distance involved; Florida took over the top spot, reported by 19 percent of the readers, as compared with 14 percent who chose it in the previous year's special study.

The cost of incentive trips has risen considerably—but sales results have improved in some cases, participation has changed little—and sales-effectiveness has remained close to previous experience, based on the percentage of incremental sales volume the users had to invest in travel campaigns.

Among types of companies using incentive travel, there was relatively minor change last year, compared with the 1980 line-up. The Top Ten user industries are the same. The only shift in position came for Automobiles & Trucks. The car manufacturers had moved from third to fourth position in the volume standings a year ago—but now have slipped back to third, as a result of increasing their travel spending by only 2.4 percent in 1981.

Two others among the ten largest users turned in '81 reports below the average 7.9 percent increase—Electric Appliances, up only 3.4 percent, and Farm Equipment, which advanced 5.5 percent. These ten largest users still accounted for about two-thirds of all dollars spent for incentive travel, the same level as in 1980.

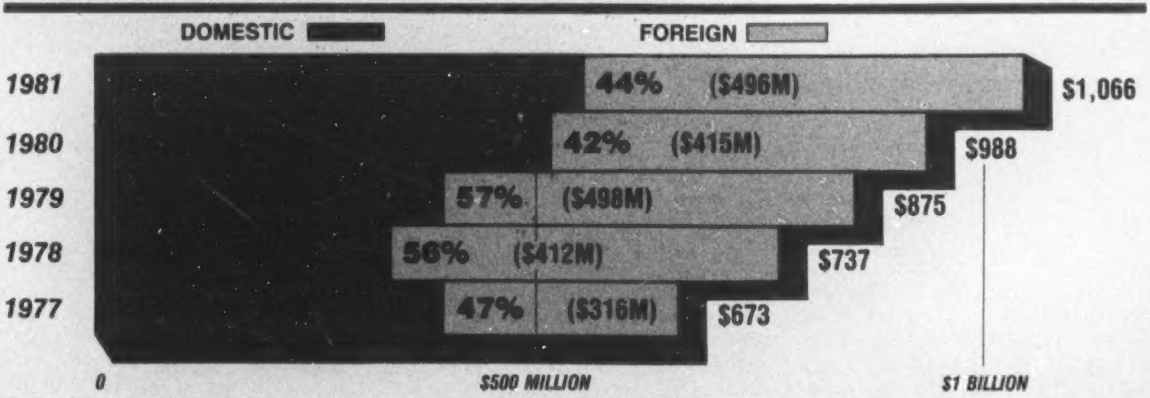
Petroleum Products, not in the Top Ten users, spent 1.7 percent less last year than in '80, and Public Utilities cut their travel outlay by 0.9 percent.

With substantial drops in spending by many industries, a majority—20 out of 32—of the industries charted actually came out on the plus side in 1981, with expenditures above the overall average. The biggest gainer was the No. 1 industry, Insurance, up by 12.8 percent. Heating & Air-Conditioning ran close, increasing 12.6 percent, and Food Products scored 12.4 percent more travel promotion. Industrial Chemicals invested 12.0 percent more than in 1980.

Electronics, Radio & TV, second-largest user group, spent 10.0 percent more for incentive travel, while the third industry, Auto Parts, Accessories & Tires, increased its expenditures by 8.6%.

Travel awards for salespeople were up somewhat more than those aimed at dealer organizations—9.1 percent to 6.7 percent in 1981. Both areas are expected to end this year with larger increases in travel promotion, but the dealer programs are projected as advancing more, according to the surveyed users' reports. The figures suggest a 14.1 percent rise in travel for deal-

WHERE THE MONEY IS SPENT

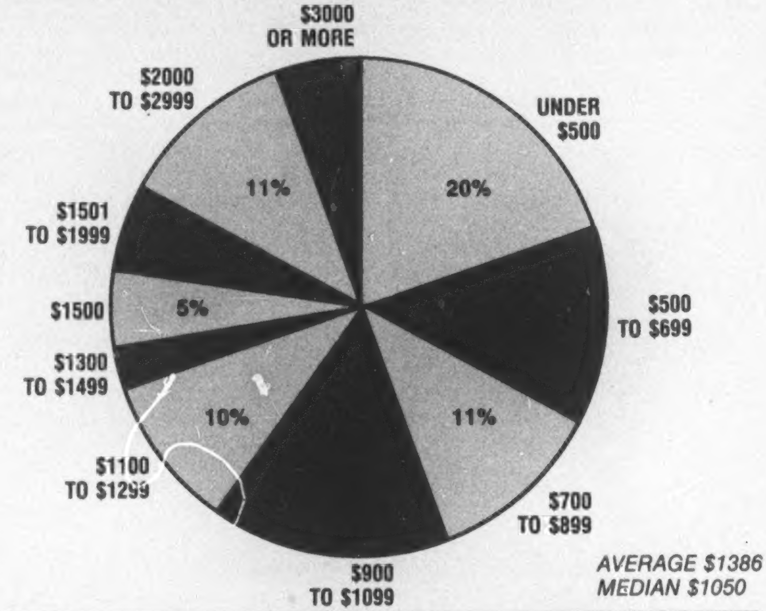


ers—retailers, wholesalers, distributors and service contractors. Awards to company, wholesale and retail salespeople were seen increasing by about 11.4 percent during 1982.

Dealer incentive travel remains the larger segment of the field—although sales force programs have been gaining prominence for several years. In the 1981 estimates, about 52 percent of the expenditures for travel went to the dealer side. In 1976, dealer promotion was more than 56 percent of all travel expenditure reported.

Travel's share of the total trade incentive field in 1981 was 27.8 percent. Present indications are that it will exceed 29 percent of all sales force and dealer promotion this year.

COST OF INCENTIVE TRIP



Cost of the incentive trip continues to rise. This survey group spent an average of $1248 last year and $1386 this year. Median cost rose slightly, to $1050 from $1000.

For many marketers, travel programs have advantages they cannot find with merchandise. The objective of improving sales force morale and/or dealer good will is generally listed as a much more important goal by travel users. The greater ability to sustain in a long-term campaign is seen by many as another plus.

Almost four out of five companies that conduct group trips say they include some type of business meeting at the destination. This provides opportunity for sales training, product training, new-product introduction and other purposes that can be served by bringing groups of people together in a relaxed setting.

Last year, in a special survey among travel users, IM found they devoted an average of 8.7 hours during 3.6 days to meetings. In a similar study this year (IM October 1982), the time average had risen to 9.7 hours in 3.3 days on site.

The cost of an incentive trip has increased substantially this year, in the experience of the surveyed marketers. The average unit cost is up 21 percent for sales force programs and 17 percent for dealer incentives. This, however, is a better showing than the users indicate for merchandise incentives—up 22 percent and 27 percent respectively.

Present costs average $1395 per award for a winning salesperson, and $1362 for a dealer. The medians are $1050 in sales force programs and $1000 for dealers—both up $150 from what these executives say they were spending a year ago. Thus, although some bigger spenders have pushed the averages up quite a bit, the median experience is a more modest rise. And it compares favorably with the overall median of $1000 found in the 1981 FACTS survey.

A key question is: What did this investment buy for these firms? In terms of increased sales during the promotion, they found no decisive improvement—but didn't lose ground, either, which may be a good thing to be able to say about 1981.

In sales force motivation, users' campaigns yield an average of 16 percent additional sales this year, they told us—the same average achieved a year ago by the same companies. In the medians, however, they gained some ground—rising from 10 percent to 12.

Promoting to dealers was more positive in the averages—up from 13 percent to 16 percent—but the median did not move from 10 percent.

Lumped together, the total picture shows a move from an average of 15 percent sales growth last year to a present level of 16 percent—thus a gain overall.

Participation by eligible recipients of awards has stayed about level at 27 percent average for these two years. In the finer breakdown of reports, sales incentive qualification dropped from 28 percent to 27 percent, but dealer winnings rose from 24 percent to 25 percent. The median for salespeople declined from 19 percent to 18 percent, while that for dealer promotion stood at 15 percent for both years.

While the specific numbers vary a bit, the record shown in this survey is remarkably close to the findings in IM's FACTS Census Survey last year. At that time, users said they were averaging 29 percent participation in sales incentive campaigns and 24 percent in dealer promotions. On balance, we have a stable result from 1980 through '82, with the only meaningful change perhaps being that dealer promotions are doing a bit better now, relative to the total picture.

Sales production . . . qualification by participants . . . unit incentive cost—with all these elements accounted for, the payoff comes in the final measure of cost-effectiveness. What portion of incremental sales gains was actually expended to plan, execute, and conclude the promotion?

The answer seems to be that sales incentive plans may have done a bit better than dealer promotion—but that both came in close enough to previous experience to make the bottom line satisfying.

We ask users to report their total program cost as a percentage of the incremental sales brought in during the promotional campaign. In the case of sales incentive travel, this year's respondents tell us their average cost on that basis is 11 percent—compared with 10 percent a year ago. But the median figure—the midpoint in a range of users' costs—is lower than a year ago.

On the dealer side, somewhat the opposite result is seen. The arithmetic average remains 9 percent for both years—but the median has risen from 5 percent to 6 percent this year.

When the two areas are combined, however, the result does show some loss in cost-effectiveness. Putting together the sales and dealer incentive reports from this survey, we find the overall result is an increase in the cost-effectiveness ratio from 9.7 percent last year to 10.5 percent average now. Based on the users' indications of their plans, however, this slight loss in effectiveness does not appear to be a significant deterrent to future incentive travel programming. If they could afford to spend 9.7 percent of incremental sales last year, they seem to tell us now, they can handle the increase to 10.5 percent this year. The figure is, after all, a bit lower than indicated a year ago.

The mystique of travel appears to be worth it. Perhaps, along with Robert Louis Stevenson, both the users and their trip-winners believe that, "I travel not to go anywhere, but to go. I travel for travel's sake. The great affair is to move." ■

Consumer Premiums

Spending on consumer premiums increased only 6.5% in 1981. But user projections show 1982 shaping up a little stronger, and the field anticipates an 11.3% gain, led by a healthy gain in manufacturer-sponsored promotion.

The end of the line in marketing is called a "consumer"—and, when consumers don't consume enough, it is called trouble.

That, generally, was what was happening in 1981. Despite continuation of a fairly high level of promotional effort by American business, the depressed market resulted in a very modest increase in actual expenditures for their premium programs.

Consumer incentives accounted for only 6.5 percent more dollars spent last year than in 1980—for a year's total of about $2,737,058,000 in manufacturers' promotion. Including retail activity, the total came to $4,650,058,000. Since the retail segment rose a bit more than the rest of the field, the increase in the total outlay was 7.8 percent.

Users' projections in the FACTS survey show 1982 shaping up as a stronger period, with all consumer premiums possibly up 11.3 percent—and the manufacturer sector now looking stronger than retail, with a 12.1 percent growth.

The "manufacturer" category takes some liberty with the term, in that it includes consumer promotion by wholesalers and distributors, financial institutions, and service organizations. It would more accurately be called "non-retail," perhaps—with the retail area reserved for supermarkets, specialty & department stores, service stations, and others who have the final contact with the consumer.

The advance in manufacturer promotion in 1981 was actually a bit ahead of the late forecast a year ago—when it was anticipated that the growth would be only 5.8 percent—after an earlier prediction of almost twice that rate of expansion.

IM had originally dubbed 1980 the "Year of the Consumer," and seen the strength of this portion of the field carrying over into last year, on the basis of earlier predictions by users in the survey.

By the time of last year's Census Survey report (IM December 1981), it was already clear that the upturn in consumer promotion was being postponed.

It is a case of wait-till-next-year for the upturn in consumer promotion—meaning 1982. And the newest estimates for this year do indicate a 12.1 percent rise in the manufacturer promotion areas, with slightly smaller growth in the retail segment. The current forecast is for an expenditure of $3,069,254,000 by manufacturers and other prime users, with $2,104,000,000 more spent by retailers—a total of about $5,173,254,000, an overall increase of 11.3 percent.

Last year, the only consumer technique that came close to the original forecast was sweepstakes & contests. This rather small entry ended 1981 up 10.9 percent, at $159,935,000.

The next-best performance was turned in by self-liquidators, which were up only 7.9 percent—below the 8.3 percent rate of the entire field—at $853,160,000 for 1981. The liquidators' close cousin, the free mail-in offer, scored a 7.5 percent rise to a total expenditure of $362,270,000.

Direct premiums, a fairly fast-growing type in some recent years, slowed last year to a 4.0 percent rate, for a total investment of $699,628,000. And the factory-pack versions—on-pack, in-pack, and container premiums—were up by 5.2 percent to $375,973,000.

The coupon plan last year added 6.9 percent to its volume, ending '81 with an estimated user expenditure of $286,092,000. Its retail counterpart, trading stamps, fell below earlier predictions and grew by only 5.5 percent—to a new total of $483,000,000.

Other retail incentive promotion advanced by 11.3 percent, and wound up with almost three times the volume of the once-dominant stamp programs. About $1,430,000,000 was spent by retailers—mostly supermarkets—for continuity promotions, tape-redemption plans, games, sweepstakes, and various forms of store-level give-aways.

The most active industry on the list was Toiletries & Cosmetics. The second-largest user of consumer premium promotion boosted its expenditures for these techniques by 13.3 percent in 1981—to a new high expenditure of $243,471,000. The front runner by a wide margin, Food Products, spent $735,525,000 for consumer offers last year—but that was only 8.1 percent above its 1980 level of activity.

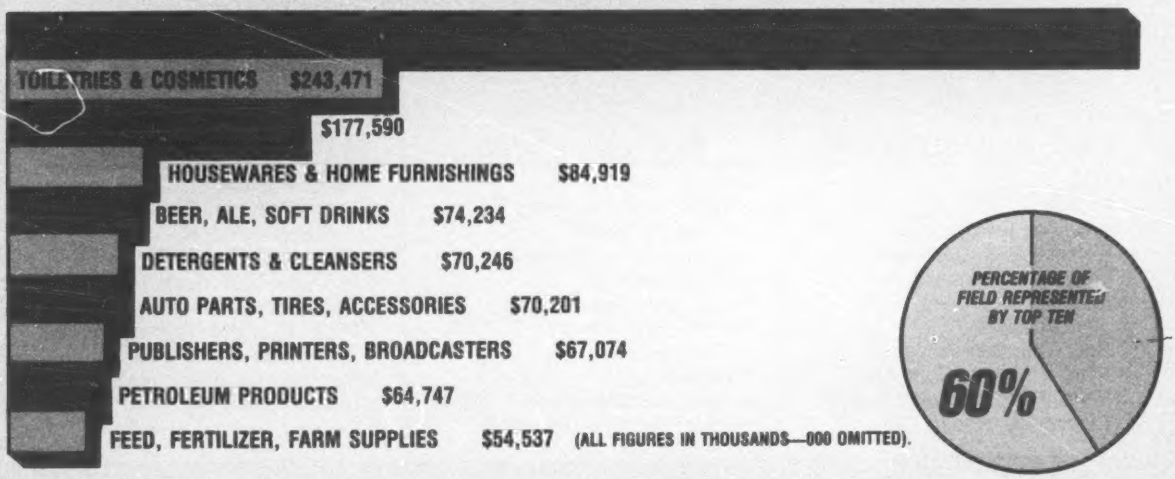
Eight industries, in addition to the Toiletries group, upped the ante by 10 percent or more last year. They were Beer, Ale & Soft Drinks, up 12.7 percent; Insurance, 12.4 percent; Office Equipment, 11.8 percent; Paper Products & Packaging, 11.4 percent; Paints & Varnishes, 11.1 percent; Housewares & Home Furnishings, 10.8 percent; Sporting Goods & Toys, 10.8 percent; and Pharmaceuticals, 10.3 percent.

There were three real losers—industries that spent less for consumer incentives last year than they had in 1980. The Automobiles & Trucks group, suffering a major decline in sales and still hungup on cash rebates when it did promote to the consumer, dropped 20.6 percent in its consumer promotion. Consumer premiums, however, have never been a major part of the promotional orientation of the car manufacturers—they have been much more active in dealer and sales force incentives.

The other declines came for Apparel manufacturers, who spent four times what the automobile firms did, but still wrote a 2.1 percent retrenchment in consumer premium usage; and for Public Utilities, a troubled industry that spent 5.2 percent less to motivate customers than it had in 1980.

Despite continuation of a fairly high level of promotional effort by American business, the depressed market resulted in a very modest increase in actual expenditures for premium programs.

TOP TEN CONSUMER PREMIUM USERS (1981)



For this year, expectations are a bit rosier, with an anticipated increase in consumer incentive spending of 12.1 percent beyond the 1981 outlays. These predictions by the users were made fairly early in the year, however, and may have been partly contingent on an earlier economic improvement than has materialized. Nevertheless, it expresses these executives' confidence in the incentive concept for that time when the market brings the customers back—and in the ability of incentives to help accelerate that comeback.

The twin mail-in techniques are seen as major gainers in 1982, and general observation tends to support the forecasts so far. Self-liquidators earn the users' confidence in an estimated increase this year of 14.3 percent, to a new high of $957,162,000. An even larger expansion is seen for free mail-in offers—up 18.4 percent to a dollar total of $428,928,000.

While separate direct premiums continue to lag somewhat—with a forecast of an 8.9 percent increase this year—their factory-pack counterparts are shown by the survey to be a strong contender, up 15.1 percent over last year—to a budget of $432,745,000.

Sweepstakes & contests, the strong winners in the 1981 numbers, are shown as slackening this year, to an increase of 6.0 percent, for a total of $169,531,000.

Increases in consumer promotion at retail are seen as moderate for this year, according to the survey reports. Trading stamps will probably gain quite a bit more than last year—8.7 percent, for a total expenditure of $525,000,000. Other consumer premiums at the retail level are expected to be up about 10.4 percent, to $1,579,000,000 this year.

Retail promotion is a major element—more than 41 percent of the total amount devoted to wooing the consumer with incentives. Near the middle of 1982, there was some evidence of a drop in promotions such as continuities and tape plans—which one supermarket industry observer laid to a dearth of new promotional plans offered by suppliers. It is unclear at this point how that trend will affect the year's totals.

The same supermarket that uses those promotions is, of course, the major arena for many manufacturers' incentive efforts. The survey asked for users' evaluation of the six principal premium forms in relation to their objectives in eight categories, plus overall cost-effectiveness.

The self-liquidating premium offer, the largest consumer incentive device, has never scored extremely high in relation to most of the marketers' goals—but always wins out for total cost-effectiveness. This

LEADING USERS—CONSUMER INCENTIVES

SELF-LIQUIDATORS

1 Food Products
2 Toiletries & Cosmetics
3 Banks, Savings & Loan
4 Auto Parts, Tires, Accessories
5 Detergents & Cleansers
6 Beer, Ale, Soft Drinks
7 Petroleum Products
8 Building Materials
9 Pharmaceuticals
10 Feed, Fertilizer, Farm Supplies

DIRECT PREMIUMS

1 Banks, Savings & Loan
2 Housewares, Home Furnishings
3 Toiletries & Cosmetics
4 Publishers, Printers, Broadcasters
5 Food Products
6 Office Equipment
7 Petroleum Products
8 Beer, Ale, Soft Drinks
9 Feed, Fertilizer, Farm Supplies
10 Auto Parts, Tires, Accessories

SWEEPSTAKES & CONTESTS

1 Food Products
2 Toiletries & Cosmetics
3 Publishers, Printers, Broadcasters
4 Petroleum Products
5 Auto Parts, Tires, Accessories
6 Banks, Savings & Loan
7 Beer, Ale, Soft Drinks
8 Insurance
9 Building Materials
10 Electronics, Radio & TV

FREE MAIL-IN OFFERS

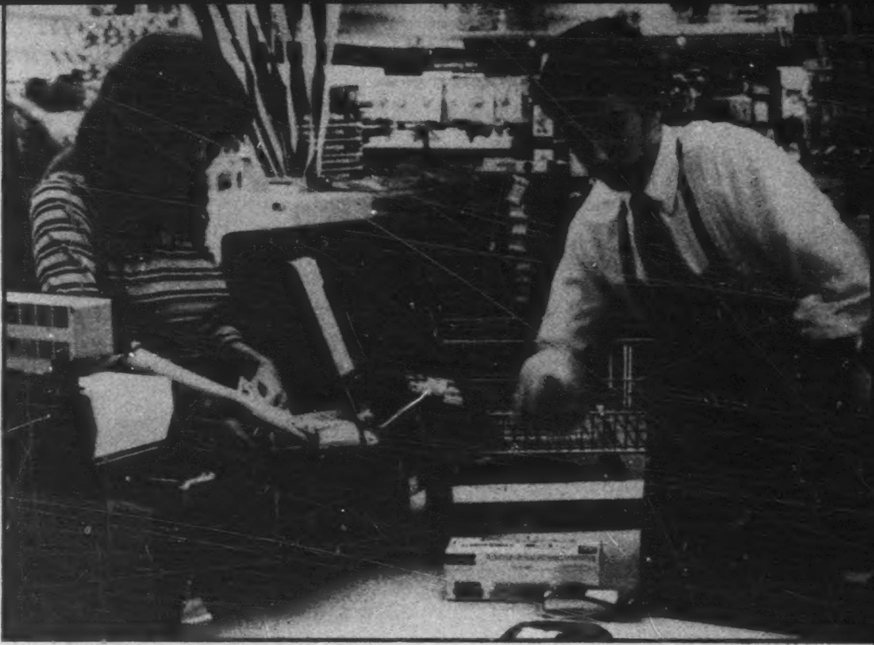
1 Food Products
2 Insurance
3 Toiletries & Cosmetics
4 Detergents & Cleansers
5 Electric Appliances
6 Publishers, Printers, Broadcasters
7 Beer, Ale, Soft Drinks
8 Paper Products, Packaging
9 Feed, Fertilizer, Farm Supplies
10 Electronics, Radio, TV

FACTORY-PACKS

1 Food Products
2 Toiletries & Cosmetics
3 Office Equipment
4 Detergents & Cleansers
5 Pharmaceuticals
6 Beer, Ale, Soft Drinks
7 Publishers, Printers, Broadcasters
8 Apparel
9 Feed, Fertilizer, Farm Supplies
10 Paper Products, Packaging

COUPON PLAN

1 Food Products
2 Feed, Fertilizer, Farm Supplies
3 Tobacco Products
4 Toiletries & Cosmetics
5 Industrial Chemicals
6 Detergents & Cleansers
7 Paper Products, Packaging
8 Electronics, Radio & TV
9 Electrical & Lighting Equipment
10 Pharmaceuticals



We asked promotion executives selling through supermarkets to rate premium techniques for their effectiveness in reaching various goals. Results on page 82.

year's survey shows 40 percent of the executives rate it first in that respect; runners-up are sweepstakes and factory-packs, each rated tops by only 15 percent.

Liquidators ran second or third in most objectives, with the exception that it placed last as a "Sales Talking Point." In six of the eight criteria, the self-liquidator received a substantially stronger vote than it had in the FACTS survey a year ago. But it declined in the number of users favoring it to "Get Shelf Attention" and "Repeat Purchases."

Direct premiums, which show evidence of weak growth in the survey of expenditures—increasing only 4.0 percent last year and 8.9 percent in 1982—also lost favor in some areas of effectiveness. They dropped out of first place as a "Sales Talking Point," yielding to a big jump in the popularity of sweepstakes for that purpose. They also slipped from the lead in "Building Good Will" of old users of a product, where they had shared the spotlight with free mail-ins. Direct premiums continue as the first choice in "Sell-In to Dealers," a 33 percent favorite ahead of the factory-packs' 24 percent.

Factory-packs are still the first choice to "Obtain Store Displays" and "Get Shelf Attention." Sweepstakes lead with a 41 percent vote to "Gain Ad Readership." Free mail-ins are the undisputed leader (44 percent) in "Sampling New Users" and (at 25 percent) "Gain Good Will" among old users of a product.

Included in the questionnaire on effectiveness was a column for cents-off coupons, for purposes of comparison. From 27 percent (Get Shelf Attention) to 50 percent (Repeat Purchases and Cost-Effectiveness) gave the discount coupon their votes as most useful. In six of the nine categories, the users gave coupons a stronger endorsement than any single premium promotion type.

The outlook for consumer promotions' final figures this year is considerably brighter than the growth shown in '81. The 12.1 percent increase indicated in the users' reports—compared with only 6.5 percent expansion last year—concentrates most heavily in the mail-in twins, self-liquidators and free offers, and in factory-packs. Self-liquidators are seen adding 14.3 percent; free mail-ins, 18.4 percent; and factory-packs, 15.1 percent.

Direct premiums other than factory-packs will improve their showing a bit more than last year, with a new forecast of an 8.9 percent increase in spending. However, the value of the direct premium category is quite dependent upon usage by Banks and Savings & Loan Associations, who increased such activity by only 3.4 percent last year. Present indication is that they will add little more by the end of this year.

The problem with financial institution promotion is the growing tendency to offer money instead of merchandise incentives. An increasing number of their promotions this year add the alternative of a $10 or $20 bill. In some cases, they put the cash offer first and add ". . . or a gift." It is too early to have significant evidence of what this has done to the effectiveness of their programs—but it has had an obvious effect on expenditures for premiums in the financial area.

Overall, direct premiums appear to have lost some favor in many industries. In the ratings of effectiveness in supermarket promotion, they declined in a few categories. And, where they were the largest growth area—in numbers of users reporting expanded activity—in 1981, they have backed off this year to a smaller majority of users' indicating an increase in spending.

For all industries, here is the way the six promotional devices shape up, in the percentage of reporting users who expected to increase their employment of each type:

	% Who Will Increase	
	1981	*1982*
Direct Premiums	66%	52%
Factory-Packs	52%	61%
Coupon Plan	57%	56%
Self-Liquidators	54%	53%
Free Mail-Ins	49%	51%
Sweepstakes & Contests	52%	51%

Those who planned to reduce their spending for each type this year ranged from 13 percent on

Some changes in how incentive techniques are rated for reaching various goals. Direct premiums, a favorite a year ago, lost some ground to mail-ins and sweepstakes.

free mail-in offers to 18 percent on sweepstakes & contests. The remainder, from 22 percent to 36 percent, indicated they are holding the line at last year's spending levels.

Usually in the past a recession has resulted in a relative decline in consumer promotion, with a concurrent increase in the use of trade incentives—particularly sales incentives, with which a marketer can more effectively manipulate his distribution to meet the changing needs of the economic climate.

This pattern has not held in the current recession. The trade incentive half of the field has increased only very slightly more than consumer promotion in 1981—and the early indications for this year do not show a great disparity between the two areas.

It also seems likely that the users' forecasts of their promotional activity this year may have been overly optimistic. The projections were made a number of months ago, when many people were anticipating an early turn-around in the economy—which, at this writing, has not happened.

The bright side is that, despite adversity, the incentive techniques are tending to hold their own in usage—and are returning effectiveness at a rate the marketers consider to be satisfactory.

The tools haven't become rusty; given an economy that encourages some growth, consumer premiums will be doing a stronger job soon for American business. ■

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS WHO CONSIDER EACH TECHNIQUE "MOST EFFECTIVE" FOR REACHING SPECIFIED GOAL)

GET SHELF ATTENTION

	1981	1982
SELF-LIQUIDATOR	16%	14%
FREE MAIL-IN	19%	17%
SWEEPSTAKES	16%	13%
COUPON PLAN	4%	9%
DIRECT PREMIUM	10%	14%
FACTORY-PACK	33%	35%

SELL-IN TO DEALERS

	1981	1982
SELF-LIQUIDATOR	7%	14%
FREE MAIL-IN	8%	11%
SWEEPSTAKES	19%	11%
COUPON PLAN	13%	7%
DIRECT PREMIUM	31%	33%
FACTORY-PACK	22%	24%

REPEAT PURCHASES

	1981	1982
SELF-LIQUIDATOR	23%	20%
FREE MAIL-IN	20%	22%
SWEEPSTAKES	6%	12%
COUPON PLAN	27%	22%
DIRECT PREMIUM	16%	16%
FACTORY-PACK	18%	8%

SALES TALKING POINT

	1981	1982
SELF-LIQUIDATOR	8%	10%
FREE MAIL-IN	15%	17%
SWEEPSTAKES	20%	31%
COUPON PLAN	12%	13%
DIRECT PREMIUM	23%	17%
FACTORY-PACK	22%	12%

GOOD WILL, OLD USERS

	1981	1982
SELF-LIQUIDATOR	20%	21%
FREE MAIL-IN	22%	25%
SWEEPSTAKES	7%	12%
COUPON PLAN	15%	16%
DIRECT PREMIUM	22%	17%
FACTORY-PACK	14%	9%

GAIN AD READERSHIP

	1981	1982
SELF-LIQUIDATOR	8%	11%
FREE MAIL-IN	24%	30%
SWEEPSTAKES	40%	41%
COUPON PLAN	12%	9%
DIRECT PREMIUM	14%	8%
FACTORY-PACK	2%	1%

OBTAIN STORE DISPLAYS

	1981	1982
SELF-LIQUIDATOR	16%	18%
FREE MAIL-IN	8%	8%
SWEEPSTAKES	16%	17%
COUPON PLAN	6%	8%
DIRECT PREMIUM	21%	22%
FACTORY-PACK	32%	27%

SAMPLE NEW USERS

	1981	1982
SELF-LIQUIDATOR	14%	17%
FREE MAIL-IN	47%	44%
SWEEPSTAKES	5%	9%
COUPON PLAN	6%	4%
DIRECT PREMIUM	19%	13%
FACTORY-PACK	9%	13%

COST/EFFECTIVENESS

	1981	1982
SELF-LIQUIDATOR	38%	40%
FREE MAIL-IN	14%	12%
SWEEPSTAKES	14%	15%
COUPON PLAN	8%	6%
DIRECT PREMIUM	12%	12%
FACTORY-PACK	14%	15%

FEBRUARY 1983

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

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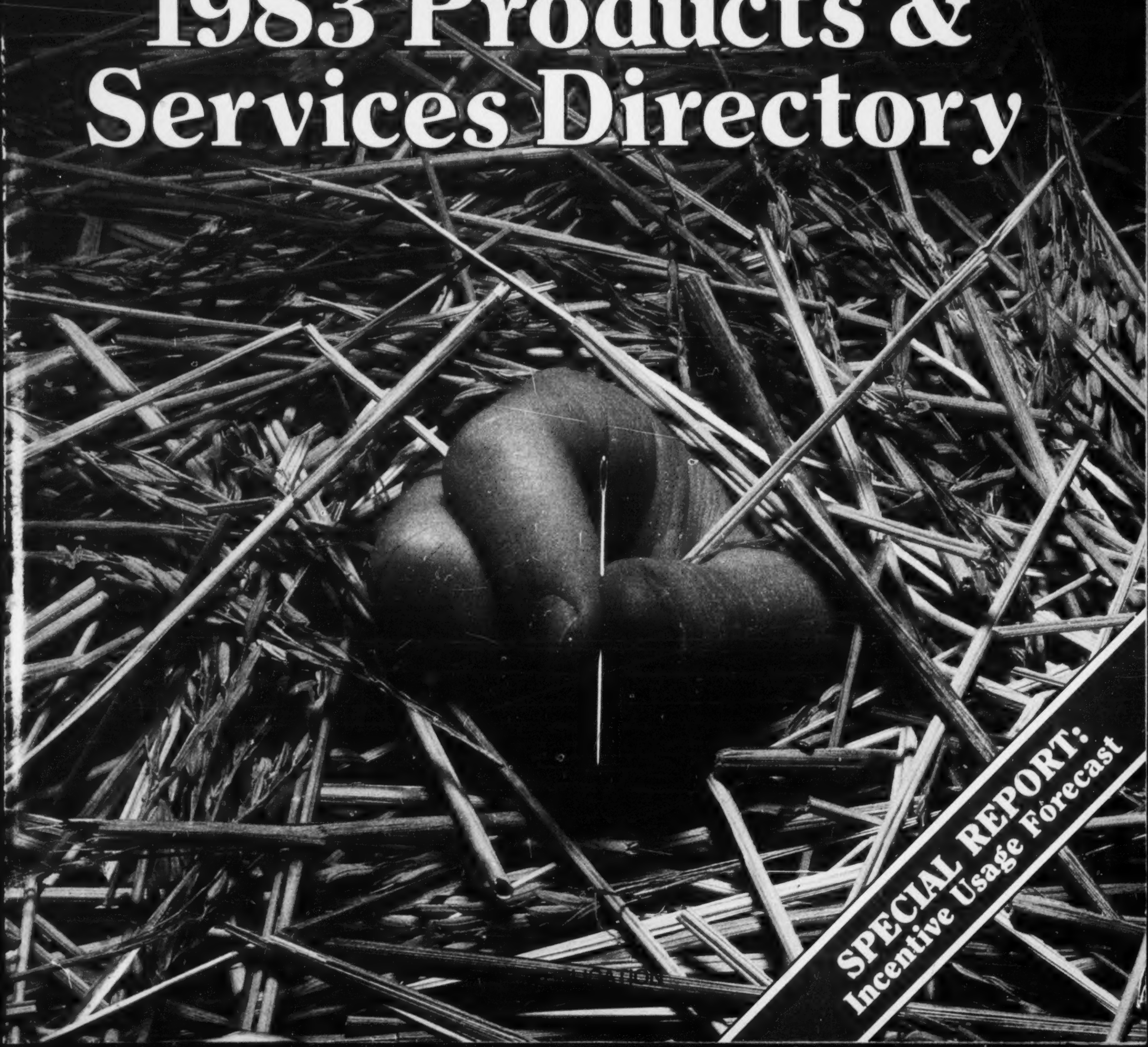
1983 Products & Services Directory



SPECIAL REPORT: Incentive Usage Forecast

Incentive Mar

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79th Year
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15 *1983 FORECAST—* Though IM's special reader survey shows just a 7.2% expected increase in incentive spending this year—bringing the field to $10.9 billion—a healthier economy could bring with it healthier results.

25 *MANUFACTURERS, ALPHABETICAL—* A complete list of all manufacturers offering products to the incentive market, including products offered and proper incentive contacts.

96 *MANUFACTURERS, CLASSIFIED—* Looking for a specific product for your next promotion? A quick glance tells you who has it—then check the alphabetical listing for contact guides.

111 *SERVICE COMPANIES—* Manufacturers Representatives . . . Sales/Consumer Promotion Services . . . Incentive Consultants . . . Trading Stamps.

126 *INCENTIVE ASSOCIATIONS/ SHOW MANAGEMENT—* Who to call for more information on incentive-related associations and upcoming trade shows.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

"We all believe in incentives, but . . ."

1983 Forecast

Marketing executives are keeping their promotional tool kits handy, but not making much use of them. A special IM reader survey finds buyers plan to increase incentive spending just 7.2% in 1983, well below the growth rates of the last few years. However, should any sort of recovery start, the picture could improve quickly.

As an economic lubricant, incentives in 1983 face a difficult—and enigmatic—task. They may be expected to help advance a recovery if one indeed begins. But they alone certainly cannot start it. And, given recent history, they cannot even count on it.

Incentive users have been more bullish than the rest of the world through two years of somnolence. But most of our intelligence comes from their expectations almost a year ago.

Trying to translate those views into a 1983 forecast is a thorny job. It leads—after much factoring of newer inputs—to a guess that incentive expenditures will rise this year by a bit over seven percent from the 1982 levels.

Those '82 figures, however, are now tentative at best. They were shortened somewhat in the December 1982 **FACTS** issue, on the basis of new information—but may shrink even more when a new survey enters the real numbers for last year's activity.

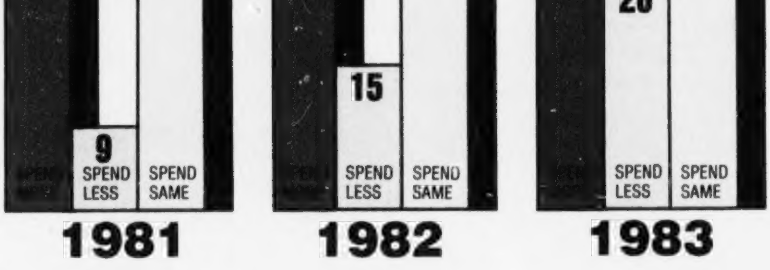
Except for the possible egg on our collective face, where does that leave us? In general, it leaves us with a 7.2 percent rise in dollar spending for incentives this year—and with a narrower-than-usual spread among the various promotional techniques.

That degree of increase in incentive usage would bring the field to a total this year of $10,946,088,000—up more than $732-million from the 1982 spending rate. The various types of incentives would advance within a relatively narrow range—from a high of 8.9 percent for direct premiums to a low of 3.7 percent for free mail-in offers.

As a class, sales force incentives would show the greatest

LOOKING AHEAD . . .

"NEXT YEAR, WHAT ARE YOUR INCENTIVE PLANS?"



increase in usage—up 8.1 percent over 1982's outlay. Dealer incentive programs would rise by 7.4 percent, and consumer promotion of all six types by 7.3 percent. Retail activity would depress total spending, with only a 4.6 percent growth in trading stamps and 6.4 percent in other types of retail incentive effort. Business gifts, it appears, will also be a shade below the average growth, up just seven percent this year.

Much will depend, naturally, upon the progress of the economy during the year. And the forecasts there are no more convincing than they have been in the past couple of years. The Dow Jones average reflected some optimism over falling interest rates and late in December set a new record high over 1070; but that must be viewed in relation to the fact that this indicator first passed 1000 early in 1973—reflecting small comfort for a decade of inflation. Car sales gained a bit in the last quarter of '82, and housing reacted a bit to the drop in interest rates. But what most economists are looking for is a second-half recovery of sorts, with a longer time table for real improvement in employment. In this kind of climate, what can incentives be expected to do?

They can, presumably, be expected to do what they have always done—either make a good situation better or make a bad one a little less bad. But they cannot significantly outrun a faltering economy.

There has been, however, evidence of optimism among both users and suppliers of incentive programs. In trade shows, seminars, meetings, and private conversations, there are signs of major planning efforts, indicating strong incentive effort afoot. One supplier association, surveying its members in September and October 1982, found a majority of them reporting an increase in their sales volume over '81 levels.

Consumer spending must lead any economic recovery. But the incentive users' emphasis is not likely to fall there, according to present projections. Sale incentives, as noted, are getting the major investment—on the ap-

THE INCENTIVE FIELD AT A GLANCE (ALL FIGURES: 000 OMITTED)

	1981	% CHANGE	ESTIMATE 1982	% CHANGE	FORECAST 1983	% CHANGE
SALES INCENTIVES	$2,188,921	7.7%	$2,374,832	8.5%	$2,566,539	8.1%
(Merchandise)	1,674,390	7.2	1,801,644	7.6	1,945,776	8.0
(Travel)	514,531	9.1	573,188	11.4	620,763	8.3
DEALER INCENTIVES	$1,642,531	5.4	$1,708,365	4.0	$1,834,516	7.4
(Merchandise)	1,090,544	5.4	1,078,548	-1.1	1,156,203	7.2
(Travel)	551,987	6.7	629,817	14.1	678,313	7.7
MERCHANDISE TOTAL	$2,764,934	6.5	$2,880,192	4.2	$3,101,979	7.7
TRAVEL TOTAL	$1,066,518	7.9	$1,203,005	12.8	$1,299,076	8.0
TRADE TOTAL	$3,831,452	6.9	$4,083,197	6.6	$4,401,055	7.8
CONSUMER PREMIUMS	$2,737,058	6.5	$3,069,254	12.1	$3,292,033	7.3
Self-Liquidators	853,160	7.9	957,162	14.3	1,041,392	8.8
Free Mails-Ins	362,270	7.5	428,928	18.4	444,798	3.7
Direct Premiums	699,628	4.0	761,895	8.9	829,704	8.9
Factory Packs	375,973	5.2	432,745	15.1	455,680	5.3
Coupon Plan	286,092	6.9	318,993	11.5	336,857	5.6
Sweeps, Contests	159,935	10.9	169,531	6.0	183,602	8.3
TRADING STAMPS	483,000	5.5	525,000	8.7	549,000	4.6
OTHER RETAIL	1,430,000	11.3	1,579,000	10.4	1,680,000	6.4
BUSINESS GIFTS	880,000	18.0	957,000	8.8	1,024,000	7.0
TOTAL USAGE	**$9,361,510**	**8.3%**	**$10,231,451**	**9.1%**	**$10,946,088**	**7.2%**

1983

"ABOVE AVERAGE" INCREASE IN INCENTIVE SPENDING

BANKS AND SAVINGS & LOAN
BEER, ALE & SOFT DRINKS
BUILDING MATERIALS
ELECTRICAL EQUIPMENT
ELECTRONICS, RADIO & TV
FURNITURE & FLOOR COVERINGS
HOUSEWARES & FURNISHINGS
INDUSTRIAL CHEMICALS
LUGGAGE, JEWELRY & ACCESSORIES
PAINTS & VARNISHES
PAPER PRODUCTS & PACKAGING
PUBLIC UTILITIES
SPORTING GOODS & TOYS

"ABOUT AVERAGE" INCREASE IN INCENTIVE SPENDING

+7.2

APPAREL
AUTO PARTS, ACCESSORIES, TIRES
FOOD PRODUCTS
HARDWARE
OFFICE EQUIPMENT
PHARMACEUTICALS
PUBLISHERS, PRINTERS, BROADCASTERS
TOILETRIES & COSMETICS
RETAILING, OTHER
WHOLESALERS & DISTRIBUTORS

"BELOW AVERAGE" INCREASE IN INCENTIVE SPENDING

AUTOMOBILES & TRUCKS
DETERGENTS & CLEANSERS
ELECTRIC APPLIANCES
FARM EQUIPMENT
FEED, FERTILIZER & FARM SUPPLIES
HEATING & AIR-CONDITIONING
INSURANCE
MACHINERY & SUPPLIES
PETROLEUM PRODUCTS

parent premise that sales force motivation can ultimately bring the greatest impetus to the consumer sales level.

The difference, however, is slight this year. Consumer promotion may be up 7.3 percent at the manufacturer level, yet sales incentives are expected to rise by 8.1 percent.

Incentive spending in the past two years has fallen short of the survey predictions—by almost $380 million in 1981 and by more than $700 million last year. Increases of 12.7 and 12.1 percent, respectively, were downgraded by later information to 8.3 and 9.1 percent. The new estimate for this year—$10,946,088,000—is only about $35 million above what had originally been forecast for last year's expenditure.

While adjustments in the estimates are always necessary, as more specific data are brought in by the surveys, this is the first time in the 15 year history of the **FACTS** reports that such gaps have existed between users' estimates of their future spending plans and the actuality of their later information. It is very clear these marketers have found it impossible to plan their moves with certainty.

In consumer promotion, there are two notable developments. Direct premiums, somewhat depressed in recent estimates, have regained strength. And self-liquidators are showing vigor—partly at the expense of their free mail-in cousins.

Direct premiums, with roughly one-eighth of their total volume in the area of financial promotion, took a significant drop in 1981 as the federal government threatened to prohibit incentive promotion in deposit-building programs. The scare created by that challenge—which did not end until a few weeks before the end of the year—extended well into 1982 promotion calendars.

For '83, the financial community not only has that shadow eliminated, but has a new deregulation plum whose full meaning cannot yet be assessed. But the new $2500-minimum accounts—two of them, one with limited check-writing privileges, one with no limit—offer insured savings with no interest ceilings. No interest limits mean no premium limits—since the restrictions on premiums in the Fed's Regulation Q were tied to control of interest rates.

Early promotion of the new accounts has focused on interest-rate incentives. But this ploy will wear thin with time, and a new wave of merchandise incentive offers is predictable. It will probably involve some excesses in the early stages, with outlandish offers that prove counterproductive. But the net should be an effective infusion of incentives providing real alternatives in financial marketing.

The rise of self-liquidators by an estimated 8.8 percent, second highest on the chart, will still be well below its estimated strength in 1982, when the reports still show it expanded by more than 14 percent. But it does represent relative strength—and will move these mail-in offers over the $1 billion mark for the first time, to an estimated $1,041,392,000 this year.

Free mail-ins, however, do not appear to be faring so well, and our present estimate is that they will move up only by about 3.7 percent in usage this year, to a total expenditure of $444,798,000.

Free offers have undeniable appeal, and many users rank them high in the achievement of a number of marketing objectives, particularly with packaged grocery products. But they also have the weakness, in terms of budget, of being somewhat unpredictable in cost. While experienced users have

Sales force incentives should lead the growth in 1983, but with a modest increase of 8.1%. Major reason is a general holding back by the largest users of sales incentives—Insurance, Machinery & Supplies, Autos & Trucks.

been able to estimate their costs reasonably well, there remains the immeasurable element—the chance of a costly surprise. The liquidators are highly predictable by definition, and thus have the upper hand in a time when cost control is a big consideration for many executives.

Sweepstakes and contest action has continued to advance by a reasonable rate, and the outlook for 1983 expenditures in that category shows an 8.3 percent growth—to a new total of about $186,602,000. Sweepstakes, while highly visible through extensive consumer advertising, do not generate large expenditures for prizes—but they are on the increase.

In the trade promotion categories, sales incentives appear to show a bit more vigor than dealer efforts, with a growth rate of 8.1 percent predicted for this year—as against 7.4 percent on the dealer side. This wold bring sales force motivation expenditures to a new high of $2,566,539,000, and dealer promotion to $1,834,516,000—for total trade expenditures of more than $4.4 billion this year.

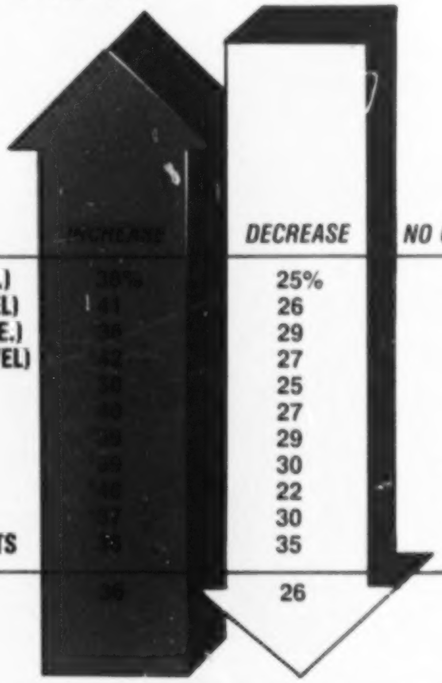
In both sales force and dealer areas, it appears travel programs will grow a bit more than merchandise outlays this year. For salespeople, the travel expenditure will rise by an estimated 8.3 percent, compared with eight percent for merchandise. On the dealer side, the comparable figures should be 7.7 percent for travel against 7.2 percent in merchandise.

Down at the retail level, it seems things are slowing too. Trading stamps, which had staged a comeback of sorts over the past six years, are expected to lag at or behind the inflation rate this year—with a 4.6 percent advance to $549,000,000. And other forms of retail promotion—continuities, tape plans, games, various saver programs and give-aways—may do only slightly better, up 6.4 percent to $1,680,000,000. Only in supermarket games, it seems, has retail promotion advanced in recent times, while a dearth of new promotional techniques has brought sluggish results in other areas.

Business gifts, which have grown steadily but at fairly low rates for many years—until they took off with an 18 percent expansion in 1981—have recently settled back again. They accounted for an estimated increase in spending of 8.8 percent last year, to $957,000,000. This year, with only a seven percent projected expansion, they will nevertheless pass a milestone—the billion-dollar mark—and rise to $1,024,000,000 by the time the 1983 Christmas season has passed.

The largest numbers of respondents in the last Census Survey—42 and 41 percent, respectively—said they intended to increase their use of incentive travel for dealers and

INCENTIVE USERS PLANNING



PROMOTION TYPE	INCREASE	DECREASE	NO CHANGE
SALES INCENTIVES (MDSE.)	38%	25%	37%
SALES INCENTIVES (TRAVEL)	41	26	33
DEALER INCENTIVES (MDSE.)	38	29	33
DEALER INCENTIVES (TRAVEL)	42	27	31
BUSINESS GIFTS	30	25	45
DIRECT PREMIUMS	40	27	33
FACTORY-PACKS	39	29	32
COUPON PLAN	39	30	31
SELF-LIQUIDATORS	40	22	38
FREE MAIL-IN OFFERS	37	30	33
SWEEPSTAKES & CONTESTS	36	35	29
TOTAL	36	26	38

*HIGHER THAN 1982 REPORTS

Cash promotions will continue to enthrall consumer products marketers, and the result will be a 7.3% gain in consumer premium spending. Self-liquidators should lead the field, passing the $1-billion mark for the first time.

salespeople in 1983. Third, at 40 percent, were those who intended to spend more money for consumer self-liquidators.

While the specific figures given in that survey may be subject to doubt in the economic atmosphere that has followed, the general trend of users' objectives may be more durable—and does in fact appear to hold up as we forecast this year.

On the short end, only 30 percent indicated a plan to spend more in 1983 for business gifts.

The overall forecast of increased spending for all incentive techniques was 36 percent. At the same time, 26 percent said they would cut back, while 38 percent told **IM** they would continue at the 1982 rate.

Only in the case of free mail-in offers, where the facts seem to belie the earlier forecast, do we have reason to doubt that 37 percent of the respondents will boost their usage of the promotion form.

Among specific industries, there are more bullish than not for incentive application this year. The excess is necessarily small in most instances—to protect the averages—but 13 industry groups show budgets above the average range. There are 11 in the middle range, and nine below average in their forecasts.

Noteworthy among the optimists are Banks and Savings & Loan Associations who, as previously noted, have a new marketing frontier to explore; Building Materials, Electrical & Lighting equipment—two groups among the downsiders or "average" industries a year ago. Automobile & truck manufacturers are still talking of below-average incentive expenditure, while the aftermarket firms who were in the above-average group last year are now indicating only average effort for 1983.

Although sales incentives historically tend to expand most in the type of economy we have had, they are not promising great things for 1983. This technique is likely to grow a bit faster than the rest of the field—but by a small percentage—about 8.1 percent against the overall increase estimated at 7.2 percent.

A major part of the reason for this appears to be that the largest users of sales incentives are holding back in most cases—suggesting small incentive expansion. The largest single user, Insurance, is among the "below average" industries for '83 increase. So are two others of the top ten sales incentive users—Machinery & Supplies and Automobiles & Trucks.

Only two major fields for sales force motivation are on the uptrend in percentage growth—Building Materials and Electronics, Radio & TV.

This contrasts with the experience coming out of most recent recessions, when sales incentives led the way among all of the field's techniques and helped to lubricate the recovery.

It appears the necessary confidence to develop that kind of impetus for 1983 has not yet reached the marketing community. And, with many economists looking for the start of recovery no earlier than the second half, "wait and see" may be a pervasive concept. That government economists, near the end of 1982, downgraded estimates of GNP growth this year to less than two percent has not helped.

When a recovery does indeed get under way, incentives will have a monumental task before them. In the mean time, perhaps we should be pleased to note that—with all that 1983 holds, or doesn't hold—there is still the likelihood of *some* growth in incentive marketing. Promotion executives are keeping their tool kits at the ready, even if they are not using them much for the present. ■

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Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

MARCH 1983

1 C4425-2 3/16/83

UNEXPECTED DELIGHTS:

Harleysville's Adventure in Hong Kong

Insurance Incentives

A BILL PUBLICATION

Incentive Marketing

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Harleysville Mutual Insurance Co. agents enjoyed a week in Hong Kong last October, including a side trip to the People's Republic of China where they visited a kindergarten.

Cover Photos Courtesy Pacific Delight Tours & Hong Kong Tourist Authority

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

Rising mail-in prices seen in late 1982 promotion study

NEW YORK NY—Analysis of 440 mail-in offers charted by **Incentive Marketing** during the second half of 1982 reveals continuing price increases in consumer premium promotion. Sponsors concerned with cost-cutting also pared prize levels in many sweepstakes and games.

Incentve Marketing monitors trends in consumer premium promotions by tracking activity in various retail outlets and advertising media.

Mail-in prices climb. The average price of a mail-in premium shot up to $12.49 for the second half of 1982 from a previous record high of $9.93 recorded for the first half of the year. The median price, however, dropped from $9 to $7.95.

The mean price—the figure most often mentioned—also leapt, jumping all the way to $7.95, from $1.50.

Price points continued to skew toward the high end of the breakdown. Here are the current results as compared to the first half report:

	SECOND HALF	*FIRST HALF*
Free	17.5%	17.0%
0.01-99¢	5.9%	7.5%
$1-$4.99	27.0%	35.0%
$5-$9.99	28.6%	20.8%
$10 and up	21.0%	19.7%

Some 32.5 percent of the mail-in offers tabulated in the current report put a claimed retail value on their promotion, against 35 percent for the first half. Ironically, the average claimed value for the second half was $12.37—or twelve cents less than the average price. But the mean claimed value was a whopping $30.

There's the rub. Rub-off and instant winner contests made further inroads in the games category as these promotions accounted for 23.9 percent of all consumer sweepstakes noted in the second half of 1982. This total represents a 32.8 percent climb from the first half.

Sponsors made cutbacks in the number of prize levels but continued to furnish lavish prizes. Here is a comparison of first and second half prize level breakdowns:

	SECOND HALF	*FIRST HALF*
One level	19.0%	14.2%
Two levels	10.2%	8.5%
Three levels	18.0%	10.0%
Four levels	22.9%	22.0%
Five or more	29.9%	45.3%

Again, lower prize level items usually carried lower values. These included product samples, posters, recipe booklets, and discount coupons.

Travel moved ahead of cash as the most popular grand prize. Trips were featured in 34.6 percent of contests charted, while cash was the top prize in 27.3 percent of these promotions. During the first half, cash was grand prize in 31 percent, and travel the choice in 29 percent of the games. Automobiles held onto third place with a 15.1 percent share, up from nine percent. A combination of this big three—travel, cash, cars—was top prize in 17.1 percent, down from 20 percent, and other merchandise items rounded out the breakdown with 11 percent, as in the first half.

The heavyweights. Food products again were the leading users of consumer premium promotion, accounting for just under half the offers recorded. Here are the major users and their first and second half shares:

	SECOND HALF	*FIRST HALF*
Food	49.5%	48.0%
Health & Beauty Aids	12.7%	12.0%
Paper Products	7.6%	3.0%
Soft Drinks	4.7%	2.5%

Rip Off Here
McDONOUGH INCENTIVES

AMES CAMPER'S KIT features shovel with unique 3-position blade for digging, trenching and storage; a bow saw and Camp Axe with exclusive Permabond® head that can't loosen.

Our Rip-Off of The Month Coupon is worth $19.95.

Maybe more.

Sure, rip-off's a dirty word. We've all been had too many times. But here's your chance to rip somebody else off.

Rip off the coupon and get this month's premium sample — an honest-to-goodness $38.95 value — for only $19. Clip the coupon to your letterhead, enclose your check or money order, and mail it today.

We'll send back this Ames Camper's Kit, one of 9,000 different items from $1 to $900 you can get for your next sales incentive or dealer program. We'll also send our Incentive Program Planning Kit which could be worth a lot more than $19.00 to you. If you don't want the Camper's Kit, just send the coupon, we'll send the free Planning Kit. And if you need help right now in picking one premium or in planning a whole campaign, let our professional incentive marketers do it. Give us some details in your letter. We'll call.

Or you can call. 304/424-3000. Ask for Lou Harris or Jeff Sheridan.

☐ Payment enclosed for this month's premium samples and Incentive Program Planning Kit. (Enclose remittance with order. Please allow 4 weeks for delivery.)

☐ Check here for free Incentive Program Planning Kit only.

CLIP THIS COUPON TO YOUR COMPANY LETTERHEAD AND MAIL TO McDONOUGH INCENTIVES, BOX 1774, PARKERSBURG, WEST VIRGINIA 26101.

mcd

Circle No. 122 on Buyer Action Card

Pet Foods	4.2%	4.2%
Cleaning Aids	4.0%	8.0%
Alcoholic Beverages	3.6%	2.3%
Tobacco Products	3.6%	1.4%
Automotive Products	2.8%	4.0%
Appliances	1.2%	1.6%
Miscellaneous	6.1%	13.0%

The miscellaneous category includes publishers, fast food restaurants, airlines, sports equipment, rental car companies, toy manufacturers, clothing, photographic equipment, agricultural products, tools and others. ■

CONSUMER MAIL-INS

Alberto-Culver Co., Melrose Park IL. (Baker's Joy spray pan coating). "Baking Is A Joy" recipe calendar. Claimed $5.98 value, offered for $2/1 proof.

American Home Foods, New York NY. (Chef Boyardee Pizza Mix). Chef Boyardee Recipe File Box. Claimed $5.95 value; offered for $3.95/1 proof, $1.95/4 proofs, 95 cents/8 proofs.

Austin, Nichols Distilling Co., Lawrenceburg, KY. (Wild Turkey whiskey). Crystal decanter with wooden chest, $250.

B-F Spirits Ltd., Louisville KY. (Southern Comfort Liqueur). Set of 6 11-ounce highball glasses, $17.95.

Best Foods, CPC International Inc., Englewood Cliffs NJ. (Karo corn syrup, Lea & Perrins Worcestershire sauce). Mirro Silver Stone bake & roast pan. Claimed $20.99 value, offered for $9.99/2 proofs.

Bostik Consumer Division Emhart Corp., Reading PA. (Thermogrip glue guns). "Hot Ideas" craft booklet, free/1 proof.

Campbell Soup Co., Camden NJ. (Campbell's Chunky Soups). "All-American" football jersey. Claimed $14 value, offered for $6.50/2 proofs.

BEAIRD-POULAN/WEED EATER HONORS DUGAN

Don Dugan (left), president, Performance Award Center, Dallas TX, receives Outstanding Achievement Award from Cliff Smith, director, special markets, Beaird-Poulan/Weed Eater. Performance Award Center handles all individual drop shipments for Beaird-Poulan/Weed Eater's Incentive Division.

Campbell Soup Co., Camden NJ. (Campbell's Cream of Mushroom Soup). Campbell's "Pop Art" Apron. Claimed $9.95 value, offered for $3.95/3 proofs.

Carnation Co., Los Angeles CA. (Mighty Dog dog food). Mighty Dog calendar, $1/4 proofs; free/30 proofs.

Celestial Seasoning Inc., Boulder CO. (herb teas). Mandarin Orange Spice Cannister, $3.50/1 proof.

Chambord Liqueur, New York NY. Recipe book, free.

Chesebrough-Pond's Inc., Greenwich CT. (Aziza cosmetics, Q-tips cotton swabs). Q-tips/Aziza Cosmetic Compact. Claimed $18.50 value, offered for $6.75/1 proof.

Classic Marketing Co., Woodside NY. (Nocello Walnut Liqueur). "Nutty Russian" sweatshirt. Claimed $11.95 value, offered for $3.95/1 proof.

Colgate-Palmolive Co., New York NY. (various cleaning aids). Illustrated wall calendar including coupons worth $11, 50 cents/8 proofs. "Clean-Up Caddy." Claimed $4.50 value, offered for $3/2 proofs.

Del Monte Corp., San Francisco CA. (Hawaiian Punch, assorted Chun King and Del Monte food products). "Country Yumkins" dacron-filled stuffed toys. Claimed $10-$12 values; offered for $8.95/3 proofs; $4.95/30 proofs; free/60 proofs.

Eastman Kodak Co., Rochester NY. (Kodak and Kodamatic instant color film). Cash refunds of $2/2 proofs; $5/4 proofs.

The Family Circle Inc., New York NY. (Family Circle magazine). Family Circle "Classic Prints" set of 4 10x12-inch color prints. Claimed $10 value, offered free (50 cents postage & handling) or for $16.95, including mounting in gold-metal frames with unbreakable glass.

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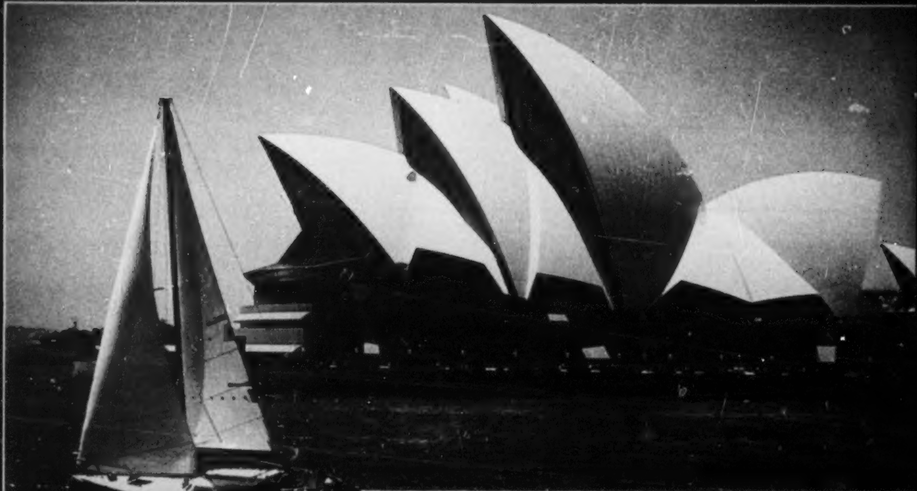
Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

APRIL 1983



LOOKING BETTER!
Dealer Incentives
'83/84 Survey

Destination:
San Diego

Coca-Cola USA's
South Pacific Adventure

A BILL PUBLICATION

Incentive Marketing

SPECIAL ISSUE:
DEALER INCENTIVES '83

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Computers make debut as dealer premiums.

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Premium success without price cuts or travel.

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It's a hot city for incentive travel.

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SPECIAL REPORT:
DEALER INCENTIVES '83

Looking Better!

Users of dealer incentives file a surprisingly optimistic report about last year, and their plans for '83/'84.

Managing distribution in 1983 will not be without some severe challenges—but incentive users are looking at the early recovery signals with hope of waning frustrations. And they are backing their hope with a moderate increase in promotional activity, estimated at 7.4 percent over last year's efforts.

In dollar terms, that means $1,834,516,000 to be spent by American business to motivate retailers, wholesalers, and distributors through incentives. It also represents a new record high for this type of promotion . . . an improvement over the past two years' rate of expansion . . . and a far better weathering of the recession than came out of the 1974-75 period.

Effectiveness of users' dealer incentive programs has evidently held up well when compared with the 1982 findings in a special **IM** survey—but not without some adjustment in the ways budgets are applied and results measured.

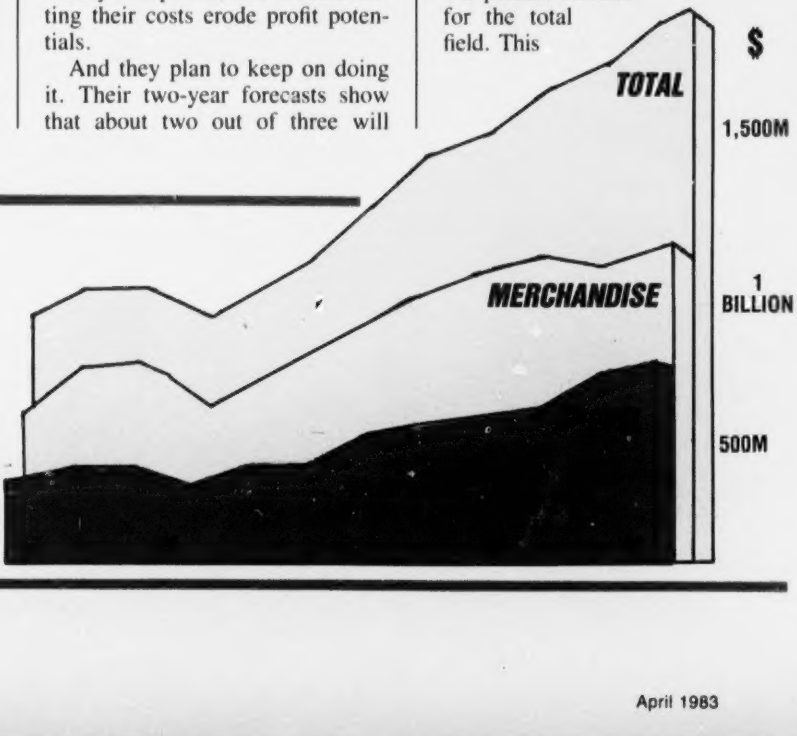
Unit incentive costs are up, and sales increases are down. But the percentage of sales invested in the incentives is also down—and the net for surveyed companies is a drop in the median slice of incremental sales needed to achieve results: from 12 percent a year ago to 10 percent for a comparable group now.

The users have not been getting all they would like to have from dealer incentives; but they have had results that, in a recession, are clearly acceptable, and without letting their costs erode profit potentials.

And they plan to keep on doing it. Their two-year forecasts show that about two out of three will continue spending at present levels, while one in four will accelerate. Only a handful intend to cut back.

This picture of dealer incentives in 1983 emerges from an updating of data from the last **IM** Census reports, plus more specific information on practices and result trends from companies reporting in a special survey. Where data are comparable, the recent specialized study closely mirrors the findings of the larger survey in every important respect.

With its projected 7.4 percent increase this year, the dealer incentive is in tune with the 7.2 percent forecast for the total field. This



Dealer incentives weathered this recession far better than 1974-75. Users tell us they plan record spending in 1983, and a faster rate of expansion than the last 2 years.

The cyclical nature of travel: users plan more dramatic increases than for merchandise incentives—but they also plan more dramatic cutbacks.

contrasts with the past two years when the dealer segment of the business lagged well behind the whole. Last year, all incentive purchases came to 9.1 percent more than a year earlier—but dealer programs picked up only by four percent. In 1981, the story was similar—an overall growth of 8.3 percent, but dealer promotion expansion of 5.8 percent.

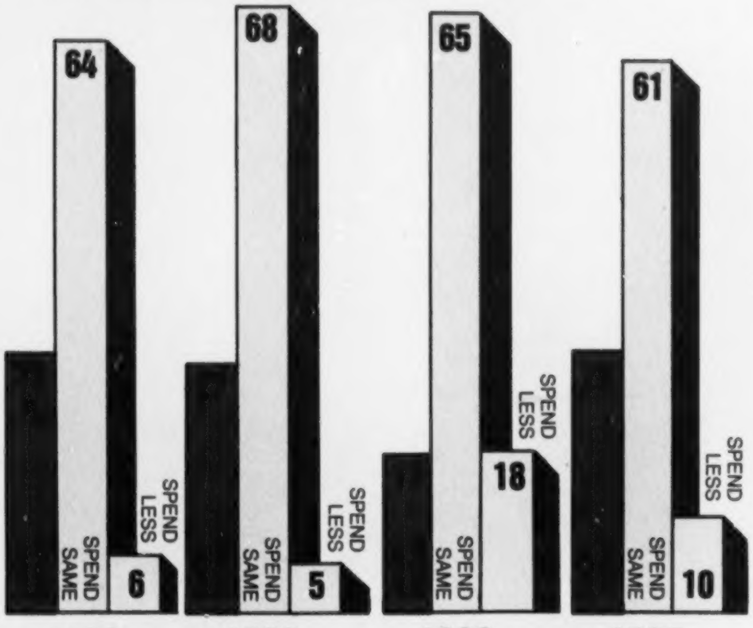
Looking farther back in history, however, these latest two years represent outstanding vigor compared with the record of the recession of 1974-75, when the entire incentive field lost momentum—down 3.8 and 12.3 percent in the respective years. Dealer campaigns held their own slightly better in '74, with a rise of 0.8 percent, but plunged by 14.5 percent in '75.

Recovery of incentive activity in 1976 was stronger than the rate anticipated this year, however. The total universe of incentive promotion rose 18.7 percent from the year before, and dealer incentives came back at a rate of 17.8 percent.

But '76 had a lot of recovering to do—and actually showed only 1.5 percent more dealer promotion than '73. For comparison, '83 appears headed for dealer incentive volume up 18.2 percent over '80. The upward trend has not been so sharply interrupted.

LOOKING AHEAD . . .

"NEXT YEAR, WHAT ARE YOUR INCENTIVE PLANS?"



The forecast figures depend, of course, upon the premise that the early-1983 signs of economic recovery are real. By early March there were still many doubters and finger-crossers. And there were probably as many who read the recovery signals as promising only a gentle bump with another dip beyond. If the indicators are right—and if the recovery turns out worthy of the name—it seems certain trade incentive programming will accelerate more than the predicted 7.4 percent.

Executives responding to our special survey reported their "dealer incentive plans for the next two years," which goes beyond the scope of any dollar estimates we now have. But if their plans are followed through significantly *this* year, it would be likely to affect the '83 estimates.

About 68 percent of the respondents said they will maintain their dealer merchandise offers, while 61 percent gave the same answer in relation to travel plans. Committed to expand programs were 27 percent (merchandise) and 29 percent (travel). Only 5 and 10 percent, respectively, intended to decrease merchandise or travel promotions.

This year's forecast expansion is rather evenly divided, with just a slight edge for travel, rising by 7.7 percent, against merchandise programs, up 7.2 percent. This contrasts with the '82 reports, which found a large advance in the use of incentive travel for dealers—14.1 percent—while spending for merchandise declined about $12 million, a 1.1. percent drop. The turnaround had already been seen in a special survey a year ago, when 18 percent of travel's big spenders said they planned to curtail their programs and only 17 percent foretold a boost in travel budgets. About 30 percent then told **IM** they would move more into merchandise programs, against only six percent who saw a drop in their merchandise usage.

Dealer incentives have suffered a slight "share of market" problem in recent years, despite a relatively healthy outlook now. In 1978, they represented 18.6 percent of every dollar spent for all types of incentive; in the 1983 estimates, their share will have fallen to about 16.8 percent of this year's total incentive budget of $10,946,088,000.

A number of top industry users of dealer incentives contributed more than their share to the recent weak showing—and are continuing sluggish in their trade promotion. Automotive, farm, petroleum and building categories—six industries accounting for more than half of all dealer promotion—actually reduced their expenditures by 1.2 percent in 1981, the last year for which we have final reports.

The worst of these six losers among the Top Ten Users was Petroleum Products, with a 4.5 percent drop in its dealer incentive efforts in '81. At the other end of the scale was Auto Parts, Tires & Accessories, with an unimpressive 4.8 percent increase.

The aftermarket did a stronger promotional job than the industry's prime manufacturers. Automobiles & Trucks showed a 1981 incentive spending cut of 1.2 percent.

The wheels were not turning much faster down on the farm, and Farm Equipment manufacturers increased their dealer motivation campaigns in 1981 by only 2.9 percent. Their market bedfellows, the makers of Feed, Fertilizer & Farm Supplies, were even less aggressive—their 1981 outlay declined 1.3 percent from the year before.

Finally, Building Materials, also one of the Top Ten users, cut back 1981 dealer promotion by 0.6 percent, as its construction markets remained generally depressed.

Many other industries, smaller in their dollar expenditures, showed greater advances in the same period—led by Insurance firms, which added 16 percent to their investment in motivating agents. Housewares & Home Furnishings, Industrial Chemicals, Machinery & Supplies, Pharmaceuticals, Toiletries & Cosmetics, and Food Products all boosted their 1981 dealer incentive expenditures by 10 percent or more—much higher than the 5.4 percent overall total growth.

Expenditures for dealer incentives buy a variety of program types, depending upon the product, the market, the objective—and, often, the competition. The most common is a special deal in which a single premium item is offered with the purchase of a specified dollar volume purchase or product assortment. This form of promotion is used regularly by 61 percent of the executives answering this year's special survey questionnaire, and their offers run for an average period of 10 weeks.

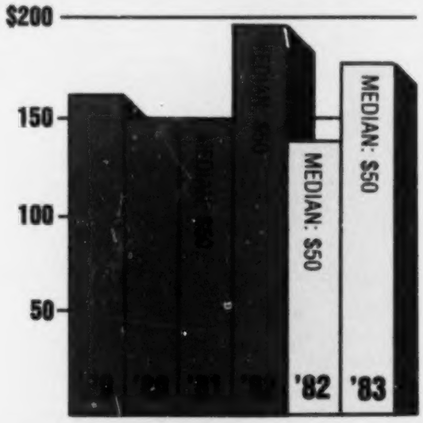
A close second among the five choices listed in the survey is the travel incentive program, favored by 57 percent of the users answering. In line with the higher values involved and the necessarily tougher qualification, the duration of the travel campaign is relatively long—29 weeks on the average.

Some 40 percent of these marketers like contests or sweepstakes for dealers—up from 33 percent last year in the similar survey group. They conduct contests or sweepstakes over an average of 13 week.

About 20 percent of these users like display premiums, which they offer for 11-week periods on the average. These include display components as the incentive to the dealer—whether a display fixture or part of one—or a consumer premium that reverts to the dealer after use in his display.

The least-used dealer incentive is the longest-lasting—a continuous coupon plan—chosen by eight percent of the respondents. The percentages noted add up to much more than 100 percent, because of the fact that many marketers use more than one form of promotion. In fact, they average almost two types per company.

MERCHANDISE AWARDS



Merchandise award costs averaged $178 for this group, up from $145 they spent last year. Median of $50 is unchanged.

KEY: RED IS PREVIOUS IM SURVEYS, TAN IS THE GROUP'S REPORTS.

Increased volume continues as the main objective. But strong interest in other areas: 48% use dealers incentives to introduce new products, 32% to boost slow-moving lines.

What are the purposes of these varied approaches to dealers? How do users define the marketing objectives they hope incentives will serve? First, of course, they want sales volume. That is the underlying goal of most promotion—listed by 71 percent of the executives in the current survey.

But dollars for dollars' sake may not be the most profitable end. For real success, most users want to earn those sales dollars their way—in the way that will best regulate the flow of business. So most look for varied objectives—an average of two and a third per user. Topping the list of specific goals is introducing new products, the aim of 48 percent in some cases. And 32 percent sometimes use incentives to move their full lines or slow items.

Half a dozen other pointed objectives are targeted by some users: bolster slow season, 19 percent; offset competition, 18 percent; obtain store displays, 14 percent; support consumer promotions, 13 percent; prepare for strong season, 10 percent; and build dealer traffic, 8 percent.

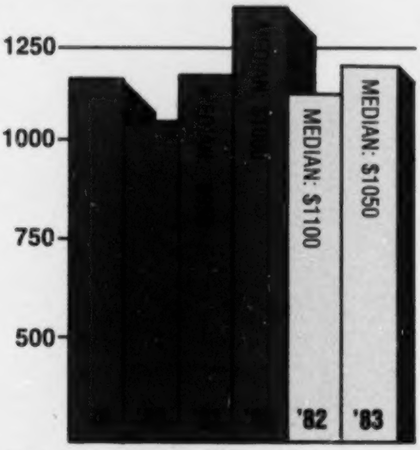
In planning these approaches to their markets, the largest number of the executives (47 percent) promote "selected items" to the trade. Another 41 percent concentrate on "full line"—while only 12 percent tie their incentives to single products.

The plans are laid well in advance—an average of 17 weeks for merchandise offers and 28 weeks for travel programs. These plans lead up to a launch date that is most often in January—followed closely by March, July, and September. September was cited as first choice by a similar group of marketers last year, wth January a strong second. Here is the dealer incentive calendar, showing the percentage of users kicking off a promotion in each month:

January	35%
February	12%
March	26%
April	19%
May	7%
June	14%
July	24%
August	13%
September	23%
October	16%
November	12%
December	8%

The total of percentages in this calendar exceeds 100 by quite a margin, because of multiple starts. These users told **IM** they conduct an average of three merchandise promotions per year. In travel, the average is one. There is an average of one also in combination programs using both merchandise and travel.

TRAVEL AWARDS



Travel award costs fluctuated slightly, but stayed in same area, going to $1150 from $1050. Respondents were about evenly divided on group or individual travel.

KEY: RED IS PREVIOUS IM SURVEY, TAN IS THIS GROUP'S REPORTS.

In speaking of "dealer incentives," there may be a temptation to think of a homogeneous body of storekeepers. But nothing could be less true of the area covered by users' programs. There are at least eight categories of dealer, as listed in our survey questionnaire, plus many "other" types. The largest single group, targeted by 43 percent of the respondents, is wholesalers and distributors. Another 35 percent promote to commercial or industrial dealers (25 percent) and service contractors (10 percent).

The other five groups—roughly, the "storekeepers"—comprise 42 percent of the marketers' targets. They are divided into eight percent grocers, six percent drug stores, 10 percent service stations, six percent variety or department stores, and 12 percent specialty stores. In addition, we have a very large group of 34 percent of the companies directing their incentives at "other" dealers ranging from recreational-vehicle dealers to restaurants, lumber yards, tire stores, travel agents, and insurance agents.

Whoever they are, these dealers reached by the great majority (77 percent) through company sales personnel. A good second promotional medium is direct-mail—used by 46 percent. About 35 percent count on dealer sales meetings to pass the word. Other media include wholesalers or brokers (19 percent), trade shows (19 percent), literature with product (10 percent) and trade-paper ads (six percent).

A majority of 53 percent of these executives offer single merchandise premium items in most of their programs, while 30 percent go to the other extreme with an incentive-company catalog. Some 17 percent develop their own small catalog or item selection. In travel, 34 percent of respondents use group trips, while 32 percent favor individual travel awards.

When single merchandise items are chosen the heavy favorite is home or family premiums, with 54 percent voting that way. About 39 percent choose personal items, while only seven percent go for business-related items.

Of the majority (57 percent) of respondents using incentive travel, most now also use merchandise at times—a change from the finding in some recent years. A large minority of 47 percent still say they employ travel only. But now 29 percent say they combine it with merchandise, and another 24 percent use both types of incentive in separate programs.

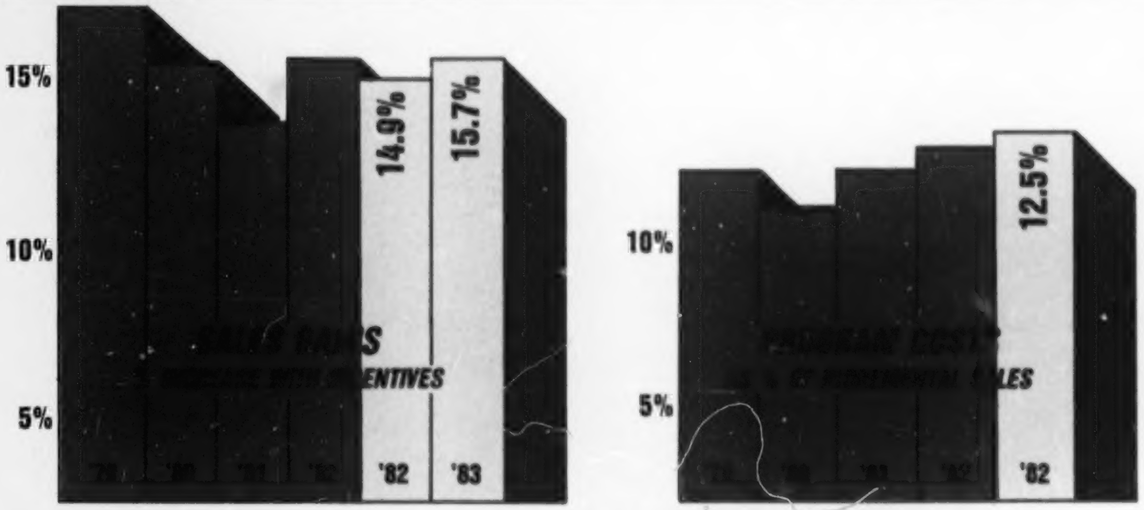
For both travel and merchandise, average unit costs have increased among these executives, as compared with their own reports of spending a year ago. On the merchandise side, they now quote an average cost of $178, up from $145 in 1982. However, the median of their reports holds at $50 in both years. Travel users indicate a smaller average increase—from $1103 to $1150—and the median has actually declined, from $1100 to $1050.

These companies are demanding more performance per dollar of incentive cost than their counterparts did in the 1982 special study. As a percentage of total affected sales during the campaign period, these users show an average cost of 5.7 percent—divided exactly two-to-one between award cost of 3.8 percent and promotional cost of 1.9 percent of sales. Last year's survey showed a substantially higher cost.

Despite seemingly higher qualification requirements, the respondents indicated they have enjoyed a slightly better acceptance of their latest incentive offers than they did a year ago. They reported that 49 percent of dealers qualified in 1982, compared with 47 percent in '81, in their merchandise offers. In travel campaigns, the acceptance has gone from 40 to 41 percent.

The cost of this acceptance—and the sales volume that came with it—averaged just 12.5 percent of incremental sales for these users—

THE BOTTOM LINE: COSTS WENT UP, BUT SO DID SALES



(KEY: RED IS PREVIOUS IM SURVEY GROUPS, TAN IS THIS GROUP'S 1982/83 REPORTS).

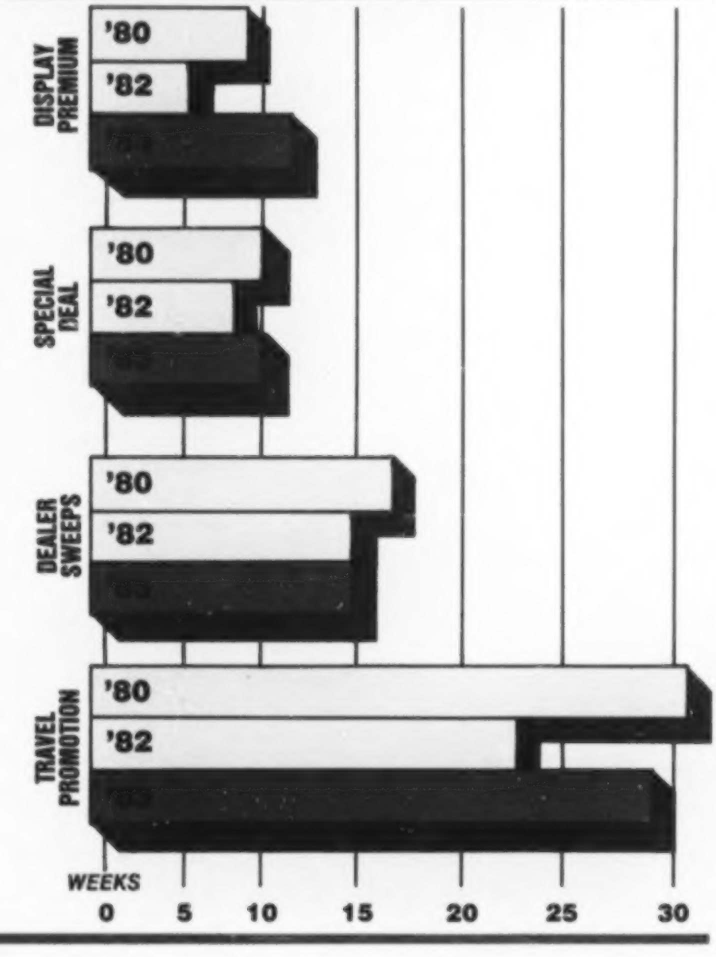
but with a median of only 10 percent. Last year's survey among a comparable group of executives found the median was 12 percent of incremental volume.

This happy result in final evaluation has been realized in spite of an average volume increase that has changed little for these particular users—but is lower than that reported in previous surveys. Their average sales goal is reported at 15.7 percent increase—but the realization fell a little short in the past three years. For 1980 through '82, they reported growth during incentive programs by 14.8, 14.9 and 14.3 percent.

Yet, measured again by the yardstick of incremental-sales percentage spent to do the job, these users have turned in clearly effective results during the recession period.

In an atmosphere of sluggish consumer sales and tightening of inventories, the dealer incentive has been dealt on of the tougher tasks in marketing during the past couple of years. It has performed—acceptably or better. Given a little better climate, it should provide a major stimulus to recovery. ■

HOW LONG IS A PROMOTION



The more things change . . .

In 1972, American business spent about $839 million on dealer incentives. That was 26 percent more than a year earlier, and enough to make this the fastest growing segment of the incentive field. Spending on dealer promotions has about doubled in the last 10 years, and the growth has been surprisingly even: merchandise usage up 200 percent, travel spending up 210 percent.

Awards are more expensive—in our 1972 survey, users reported a median merchandise award cost of $10, and a travel award cost of $631. The comparable 1982 figures are $50 and $1050. But a lot stayed the same: program length, incentive cost as a percentage of sales, hoped-for sales gains, and many other measurements showed great consistency over a decade of economic turbulence.

1972 users were more optimistic. 55 percent told us they had spent more than in 1971, and 38 percent planned to spend more in 1973. Just six percent would be cutting back, if all went according to plan.

Then, as now, the Automotive Aftermarket was the single biggest spender. The Top 10 has done some shuffling, but continues to be where the action is: in 1972, the Top 10 represented 61 percent of the field, in 1982 it represented 57 percent. (**IM** surveys 32 industry groups).

Here are the standings:

1972

Auto Parts, Tires, Accessories
Autos & Trucks
Farm Equipment
Electronics, Radio, TV
Heating & A/C
Petroleum Products
Food Products
Building Materials
Electric Appliances
Furniture, Floor Coverings

1982

Auto Parts, Tires, Accessories
Farm Equipment
Autos & Trucks
Electronics, Radio, TV
Heating & A/C
Food Products
Toiletries & Cosmetics
Petroleum Products
Feed & Farm Supplies
Building Materials

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

MAY 1983

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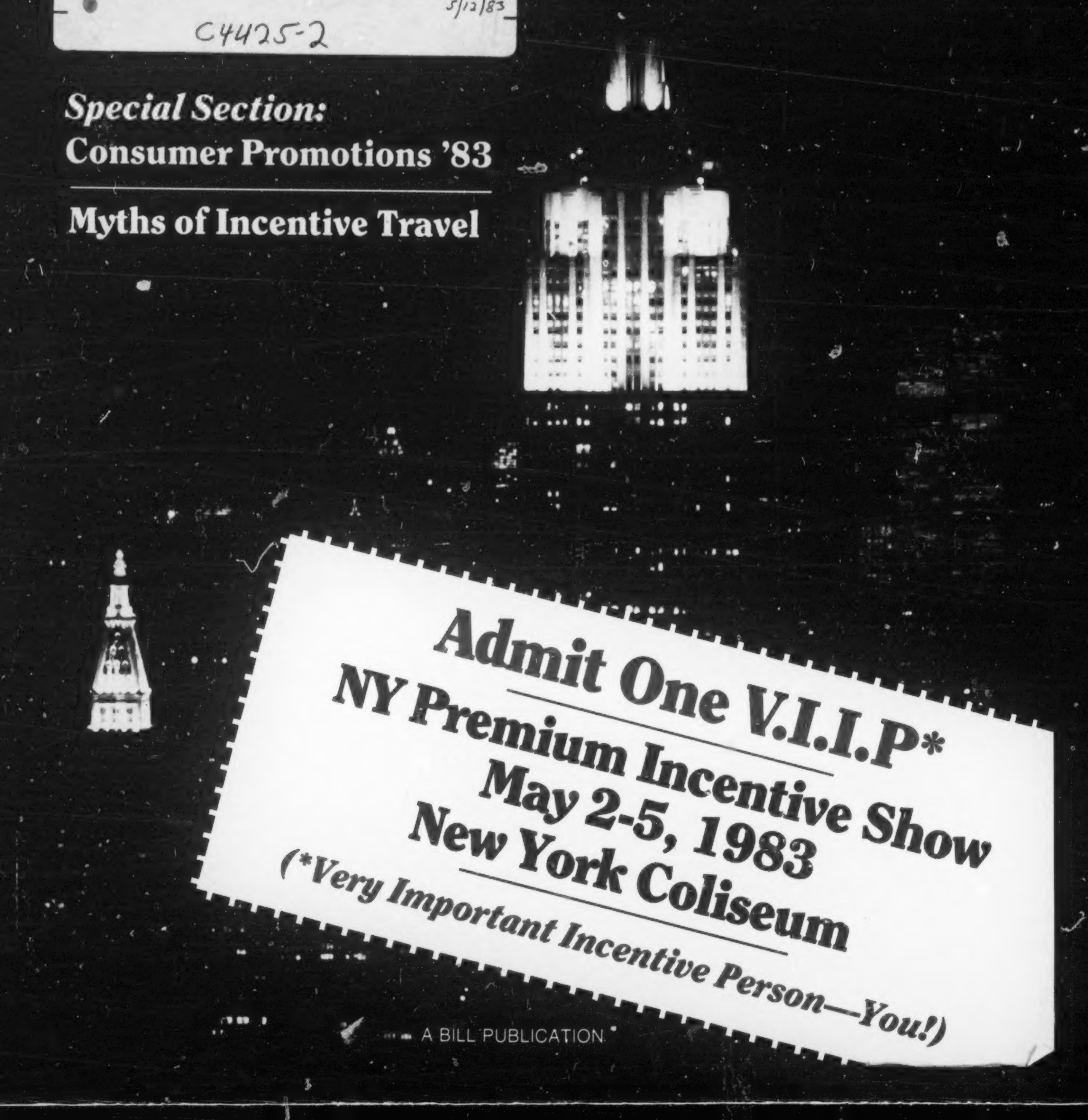
Special Section:
Consumer Promotions '83

Myths of Incentive Travel



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NY Premium Incentive Show
May 2-5, 1983
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SPECIAL ISSUE:
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Food Products:

Battling for consumer identity—and shelf space

One of every four dollars spent on consumer premiums is spent by a food products company. Taken together, food and related products spend about $735 million a year on consumer premiums, easily outdistancing the number two industry—toiletries & cosmetics—which spends about $243 million.

In five of the six major consumer premium techniques, food products are the leading dollar spenders: self-liquidators, free mail-ins, factory-packs, merchandise coupon plans, and sweepstakes & contests. In the sixth category—direct premiums—they fall to fifth place. In the food marketers' major outlet—the supermarket—the direct premium separate from a product is difficult to manage. The need for extra shelf space, the ease with which premium and product can be separated, and the potential for pilferage are all important drawbacks.

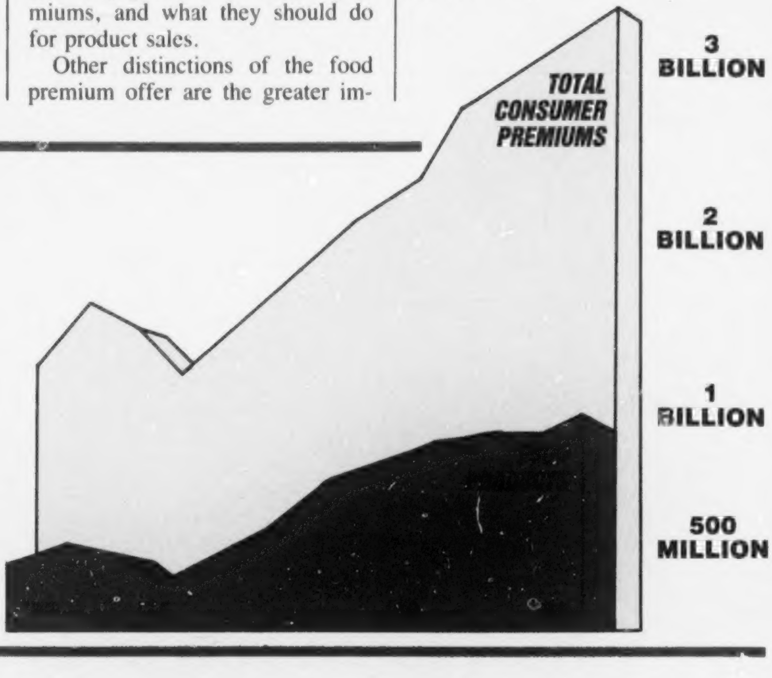
The direct premium is a device that needs human handling rather than self-service, and food product companies trail behind financial institutions, housewares manufacturers, toiletries & cosmetics, publishers, printers & broadcasters.

This year, **Incentive Marketing** supplements its regular consumer promotion data with a survey of how food products companies use consumer premiums. In most ways, our survey of 161 companies finds, the use of consumer premiums by food products companies does not differ greatly from other industries. But there are some significant exceptions in how companies promote their offers, and in how they perceive the role of premiums, and what they should do for product sales.

Other distinctions of the food premium offer are the greater importance users assign to it in relation to increasing use of point-of-purchase display materials, the generally lower average pricing of self-liquidators, and the marketer's overall conception of premium functions and implications.

While executives responding to this survey reported concern with all nine of the usual marketing objectives listed, many of their comments reflected a broader concern. The final question of the survey was, "What do you consider the major benefit of premiums in marketing to consumers?" A majority of comments included the word "awareness"—or similar language such as "familiarity," "attention," "adds interest" and "perceived value."

A special IM survey focused on food companies, which account for 26% of all consumer premium spending. We found a lot of similarities, but also a lot of differences from how other industries use premiums.



These attitudes point to a perception of the premium as an extension of brand advertising—even though the closest listed objective, "Build Interest in Ads," was chosen as a meaningful goal by very few; it was next to last among the nine choices.

Early in this century, consumer premiums were widely considered "a form of advertising," and their effects were often gleefully compared with what happened through newspaper or magazine advertising. Predictably, this did not endear the premium idea to the advertising fraternity—particularly agencies, where some prejudice against the interloper lingered long.

But, at least in the food industry, the function of the premium in relation to advertising goals such as product awareness remains paramount. But the advertising practitioners can take heart in the fact that what has now become a tool of "sales promotion" leans heavily on media advertising as a vehicle to communicate its image and build brand awareness.

The favorite among specific promotional objectives, for the 161 companies responding in the food-industry survey, is encouraging repeat purchases. Mail-in offers were used by 49 percent to achieve this goal—while 16 percent sought it through chance promotions and 34 percent applied direct premiums.

Mail-in promotions are favored most for three of the stated promotional targets, while direct premiums lead in five areas, and the two are tied in one category. Chance programs run third in preference in all except one—building interest in ads—where they are the second choice.

The food executives' indicated preferences differ somewhat from those shown in the all-industry Census Survey report—although the classification of promotion types also differs, making direct comparison difficult. In sampling

1983 Forecast

A heavy burden may be falling on consumer premium promotion this year. Yet there are some signs that burden does not figure fully in the early plans of many consumer marketers.

The early-'83 economic recovery picture looked like one relying on a good push from consumer spending. But the first indicators measured only a gentle nudge from the consumer goods markets. Was consumer confidence ready to overcome inertia caused by a long recession and still-high unemployment?

The answer was hanging between a wavering "no" and an insistent "maybe." And business spending edged up only enough, it seemed, to keep inventories from going down the drain.

If such a scene persisted, it would take a lot of hard selling on the consumer front to keep things moving. Yet the recent forecasts of consumer incentive spending do not reflect that much hard-sell.

Instead, they reflect something like a back-to-business-as-usual attitude after a year of relatively aggressive increased effort in 1982—when spending for consumer incentives went up more than 12 percent.

By contrast, this year's forecast showed budgets for six key consumer-promotion techniques rising by just 7.3 percent over the 1982 level, for a grand total of $3,292,033,000.

Not included in that total are the $549,000,000 estimated for trading stamps (up 4.6 percent) and $1,680,000,000 for a 6.4 percent increase in all other retail promotions. The total of $5,521,033,000 would be 6.7 percent more than spent for all premiums to the ultimate consumer in 1982.

Trade incentive programs, which took a back seat in growth last year—advancing by 6.6 percent while consumer offers went up 12.1 percent—are expected to fare relatively better this year, and increase by 7.8 percent. Last year was the kind of time when, according to recession history, promotion to dealers and salespeople should have outpaced consumer efforts.

The spurt in consumer expenditures last year, after growing only 6.5 percent in '81, may have signaled the users' planning for the recovery that did not happen during '82. It also means, however, that this year's activity will be at a higher level—even with restricted growth—than it would have been if the '82 speed-up had not occurred.

It still seems probable, though, that the forecasts will turn out to have been too modest. If the economy sends a stronger message that a harder consumer push is needed, stepped-up promotion at the shopper level would be a logical response.

In present plans, self-liquidators and direct premiums are the strongest contenders, with forecast increased usage of 8.8 and 8.9 percent. If these figures hold and inflation remains low, such a rate of promotional investment could be greater in real terms than we have seen for several years.

The predicted boost in this year's spending would bring the self-liquidator above the $1-billion annual rate for the first time, with a total estimated at $1,041,392,000.

new users, for example, the larger survey gave free mail-in offers the overwhelming lead vote (44 percent calling it most effective)—while those food manufacturers gave the nod to direct premiums, with a second-place vote for all mail-ins considered together.

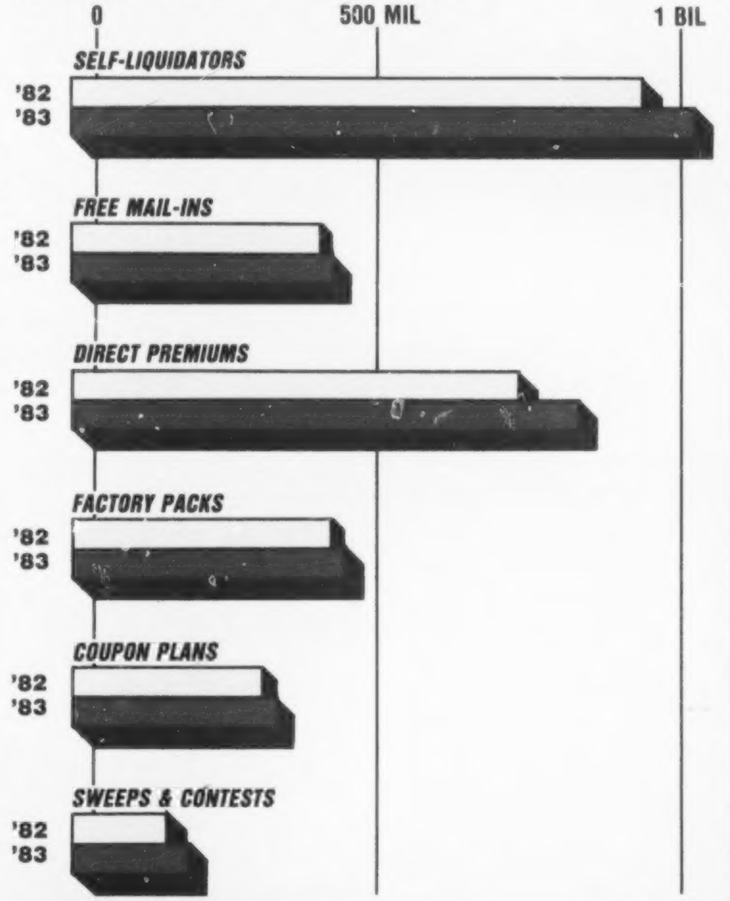
As a sales talking point in the trade, the Census Survey respondents picked sweepstakes by a large margin, while the recent food study favors mail-in offers for that assignment. For building readership of ads, the larger all-industry group considered sweepstakes a runaway favorite—but the food executives prefer mail-in premium offers to get attention in the media.

Whether those objectives are the major consideration—or other market factors influence the choice—the food sellers vary their promotion choices by an average of 2.3 different types. And the direct premium—the most-used consumer premium among firms in all industries—ranks fourth in the food field. It is surpassed here by mail-in self-liquidators, point-of-sale self-liquidators, sweepstakes & contests.

IM asked these executives which of eight types of consumer premium promotion they had used in 1982, and which they expect to use this year. This is how their choices stacked up:

CONSUMER PREMIUM OUTLOOK

STILL GROWING, BUT NOT AS FAST



TOTAL CONSUMER PREMIUMS

'82: $3,069,254,000 .... +12.1%

'83: $3,292,033,000 .... + 7.3%

The direct premium offer, climbing to $829,704,000 in the '83 estimates, is the purest example of the premium idea, given free with a product purchase and delivered to the customer on the spot. It is the most widely used of all forms of consumer incentive—reported in the Census surveys by almost twice as many marketers as its closest competitors.

Both of the frontrunners in the forecast for this year have close cousins that recorded unusual growth in 1982, but are seen slowing down considerably this year. The liquidator's cashless alter ego, the free mail-in offer, chalked up an estimated usage last year 18.4 percent ahead of 1981—but is expected to settle for about 3.7 percent this year. And factory-packs, the direct premiums that ride closest to the product, surpassed their year-earlier figures by 15.1 percent last year—but now are facing a probable expansion of only 5.3 percent this year.

The third-largest growth, close to the top two, will be in sweepstakes & contests—where expenditure of an added 8.3 percent this year should bring a total of $183,602,000.

	Used 1982	Plan 1983
Mail-In Self-Liquidator	49%	45%
Point-of-Sale Self-Liquidator	40%	38%
Free Mail-In Premium	17%	18%
Direct Premium	35%	30%
Factory-Pack	19%	17%
Traffic-Builder	9%	11%
Sweepstakes or Contest	45%	42%
Merchandise Coupon Plan	18%	22%

In addition to these eight types of merchandise incentive, the questionnaire also listed, for comparison, "Cents-Off Cash Promotion." These were employed in 1982 by 61 percent of the food firms reporting, but only 53 percent indicated they intend to use discount coupon promotions this year.

The food firms say they conduct national promotions in 38 percent of cases, while a majority of 60 percent operate on a regional basis. The vast majority of their efforts are directed at people in the 18-34 and 35-59 age brackets, and lean toward women by only about a 60-40 ratio. Only 8 percent of them promote to an under-18 audience, and only 7 percent target consumers over 60. Most (76 percent) concentrate on suburban customers, but 67 percent also promote in urban areas and 42 percent are concerned with rural people.

Those who like mail-in offers conduct a median of three such promotions per year, and direct premium users show the same frequency—while those using sweepstakes & contests report an annual median of two.

The promotional calendar for these food-company executives begins in September in 44 percent of cases, with October a 29 percent second choice. Following, down 1 percentage point per month, are January, May, March, April, June, and July at 23 percent. The heavy autumn concentration of promotion starts contrasts with the findings in a similar all-industry survey a year ago. Then, October led but with only a 23 percent vote, tied with March. Five other months came next, each with a 17 percent choice as the starting point for a consumer premium offer.

In carrying the premium message to the consumer, point-of-sale advertising is the strong favorite for all types of promotion. Among mail-in users, 43 percent use in-store display; 27 percent list it for chance promotions and 39 percent to announce direct premiums.

Newspapers and supplements rank second after point-of-sale displays for the promotion of both mail-ins and direct premiums. On-package advertising is a close third for the mail-in users, while TV and radio run third for direct premiums.

OBJECTIVES OF FOOD PROMOTIONS

	Mail-Ins	Chance	Direct
Encourage repeat purchases	49%	16%	34%
Sample new users	30%	17%	31%
Increase store displays	27%	17%	29%
Customer goodwill	25%	14%	29%
Sales talking point	22%	16%	17%
Dramatize product feature	10%	6%	12%
Gain shelf attention	24%	17%	24%
Induce dealers to stock	25%	15%	36%
Build interest in ads	16%	14%	12%

An important, and often controversial, aspect of the media selection process is the proportion of advertising time or space devoted to the premium or sweepstakes, vis-à-vis product copy or illustration. For many years experienced users gave a rule of thumb that at least half the ad should be devoted to the offer—but this rule has not been closely followed by most advertisers.

In the present survey of food promoters, 26 percent said they give 50 percent or more of the space in a print ad to the incentive, and 36 percent devote half or more of broadcast time to the offering. In each case, a few answered "100 percent."

On average, however, the practice is less widespread. On the question of print ads, the average space indicated is 31 percent; on the air, these marketers use 33 percent of the commercial time for the premium itself.

As the media usage figures indicate, the most important single area for advertising a consumer premium offer is at the point of sale. This is especially true for food manufacturers, who often face tougher competition for store exposure than advertisers in other industries.

The food executives told **IM** their premium display materials are used by 39 percent of outlets for mail-in premium promotion; 50 percent for a sweepstakes or contest; and 56 percent when offering a direct premium.

Primary to the incentive's function, of course, is the amount of influence it exerts on the dealers to employ special displays above what they might use in a non-promotion period, or in some other type of promotion. Here the food executives in this survey show the importance of the premium to them in obtaining display usage—importance much greater than is indicated by any all-industry universe we have studied.

With a mail-in promotion of either type, these respondents report an average of 29 percent increase in a normal display use. A 1982 survey among all industries showed a 14 percent incidence of extra displays with self-liquidators, and 23 percent for free mail-in offers.

When promoting a sweepstakes or contest, the advantage is even greater for the food firm—a 35 percent gain in displays, compared with 13 percent experienced by the field at large. And on direct premiums, the increase in display use jumps from 24 percent for all industries to 44 percent among the food marketers.

The self-liquidator is subject to some special considerations that do not apply to other types of premiums. The matter of pricing is, certainly, a key element. In recent years there has been a growing trend toward asking an extra amount of cash for "postage & handling," above the stated liquidating price. This practice appears to have remained stable in the past year—with 25 percent reporting they make such extra charges, while 75 percent do not—that is virtually the same result found in the last survey.

Another area of some disagreement has been the matter of including retail-value claims in self-liquidator ads. Despite strong feelings against the practice by some users, others believe the statements add to the appeal of the item—and a slight majority, 52 percent, of those answering said they do use such claims.

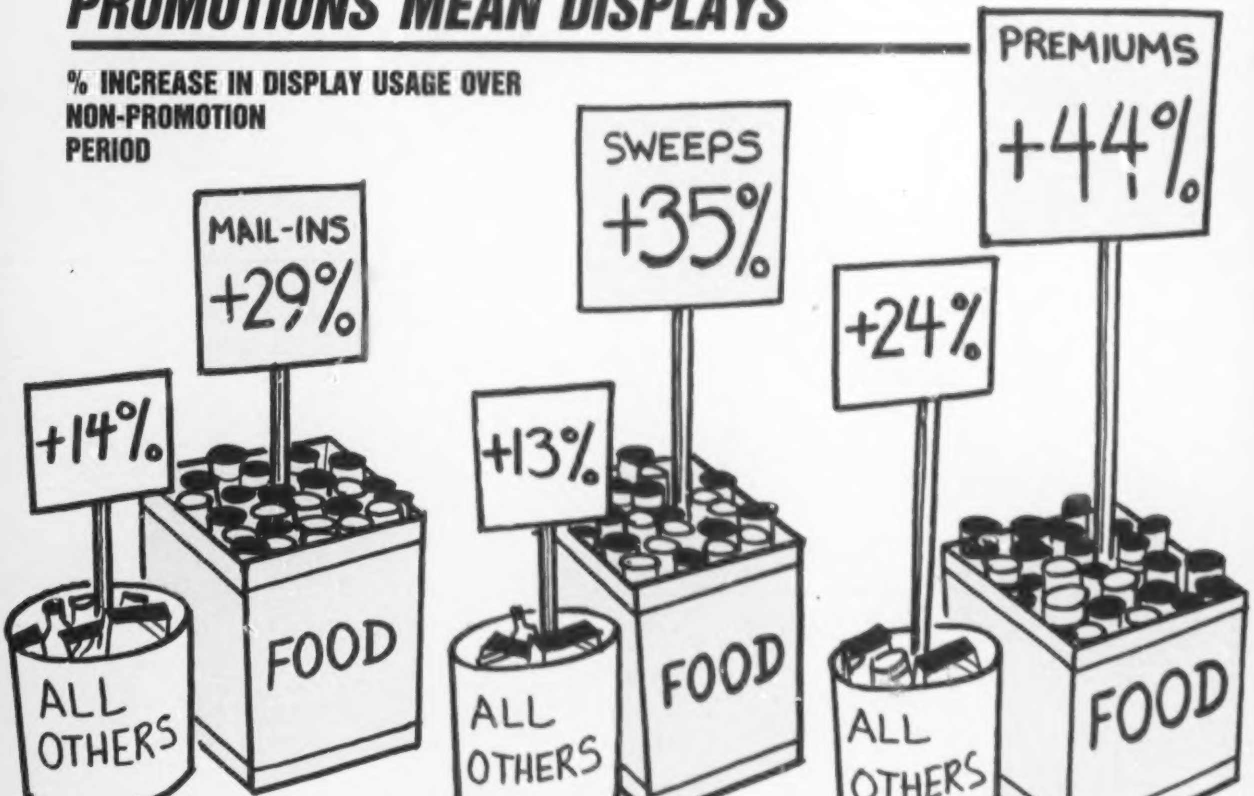
About one executive in four requires "always" that the premium be related in use to the product with which it is offered. Another 64 percent "sometimes" favor such relationship, but 11 percent do not care about it. Similar figures were found in a related question on customized premiums. Only 21 percent always prefer tailor-made items.

What is a "self-liquidator"? Is its pricing, as the name suggests, all-inclusive, or is it a euphemism? In this survey of food companies, 64 percent said their charge for self-liquidators does cover all cost—but 36 percent indicated it does not, and that they subsidize the cost in part.

The evidence indicates the self-liquidator in the food industry has not progressed as rapidly up the price ladder as it has for all consumer products industries. In a spe-

PROMOTIONS MEAN DISPLAYS

% INCREASE IN DISPLAY USAGE OVER NON-PROMOTION PERIOD



cial survey a year ago, covering all industries that use self-liquidators, **IM** found an average price among the examples cited of $13.34, with a median at $9. In the present food survey, the average comes to $9.27, while the median is $5.99.

In the case of the free mail-in offer, a different sort of arithmetic is required. We asked the users what average cost they have for each premium unit, as a percentage of the retail purchases required to obtain it. The average report was 23 percent, with the median at 20 percent of purchases. This is substantially higher than the experience of all users in past general surveys. Last year the median was only 9 percent, and in 1980 it was reported at 10 percent. Users continue to ask for an average of 4—median of 3—proofs of purchase with a free mail-in offer, very close to previous reports.

One of the more inexact areas of premium promotion is the measurement of response to advertising. Many users appear not to attempt to keep statistics on it—and others suggest they do not trust the results.

But the collective experience of a number of executives who do record their response rates can be instructive. The survey asked for information on response per thousand ad exposures in four types of media for three kinds of promotion—self-liquidators under $10, those over $10, and free mail-in offers.

For the low-cost liquidator, on-package advertising pulls an average of 30 responses per thousand; and broadcast commercials do even better, at 34. But print ads and store displays lag at 21 and 16 per thousand, respectively.

When the self-liquidating price goes above $10, the response rate drops to 15 for print; 11 for display; 10 for package; and 15 for broadcast.

On the average, these food advertisers receive 29 responses for every thousand print exposures of a free mail-in ad; 30 for displays; and 27 each for on-package and broadcast advertising.

Averaging the figures for all media, the free mail-in offer has some edge, with an overall response of 28 per thousand. The low-priced self-liquidator is not far behind, with 25. At 12.5 overall average responses per thousand exposures, the over-$10 self-liquidator is clearly a poorer media buy in the opinions of these food marketers, when only response is considered.

But what about those other benefits—the effect of a premium on brand awareness, and so on? Here the food executives show they are not in the game for the boxtop scores alone, but for more basic contributions to their marketing needs.

And the response rates, taken together, show they are getting it—these rates are significantly higher than those reported in a 1982 survey of users in every industry.

Their answers tell us they do indeed have the tools they need to use consumer incentives effectively in meeting some of the big challenges of 1983's selling climate. ■

HOW FOOD EXECS PROMOTE OFFERS

	Mail-Ins	Chance	Direct
Point-of-sale displays	43%	27%	39%
Consumer magazine ads	21%	10%	11%
On-package blurbs	34%	14%	14%
Newspapers, supplements	37%	22%	32%
TV/radio	12%	12%	20%
Bouncebacks	22%	7%	14%

Why Premiums?

Increase brand awareness and consumer loyalty to product.—*Greg A. Hartel, Jeno's Inc.*

Adds interest to advertising and package.—*P. Mathias, Best Foods.*

First of all product awareness, and then as a concentrated sales effort in any new or expanded market to new users.—*M. Mansfield, B. Mansfield & Co. Inc.*

Motivation of both consumer and retailer to purchase and promote products.—*Macaroni.*

Excitement with the trade and sales force. If premium used as part of display, the display has a 70 percent better chance of getting up.—*C. E. Verner, Brooks Foods.*

Perceived and actual value—quality image for products and concern for consumer as a valued customer—she—can expect more from Domino.—*V. J. Cala, Amstar Corp.*

A pleasant and memorable association with the product will in the long run increase the integrity and sale of our product.—*Soft Drink.*

Premiums promote customer goodwill. In our latest promotion, personalized travel coffee mugs increased our doughnut sales. Moreover, people were asking us to provide the offer again in the near future.—*Jo Walker, Krispy Kreme.*

Gives added value to our products at point of consumer sale.—*G.W. Levitz, Pepsi-Cola Co.*

Breaks through clutter of advertising messages and reinforces theme/campaign for brand.—*Beverage.*

Encourages second or third purchase to get qualifier. Creates good feeling toward company—"they give us something extra."—*Candy.*

JULY 1983

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

C 4425-2A 7/19/83

Coming On Strong: Sales Incentives '83

Control Data Goes Hollywood

Gambling Resorts Update

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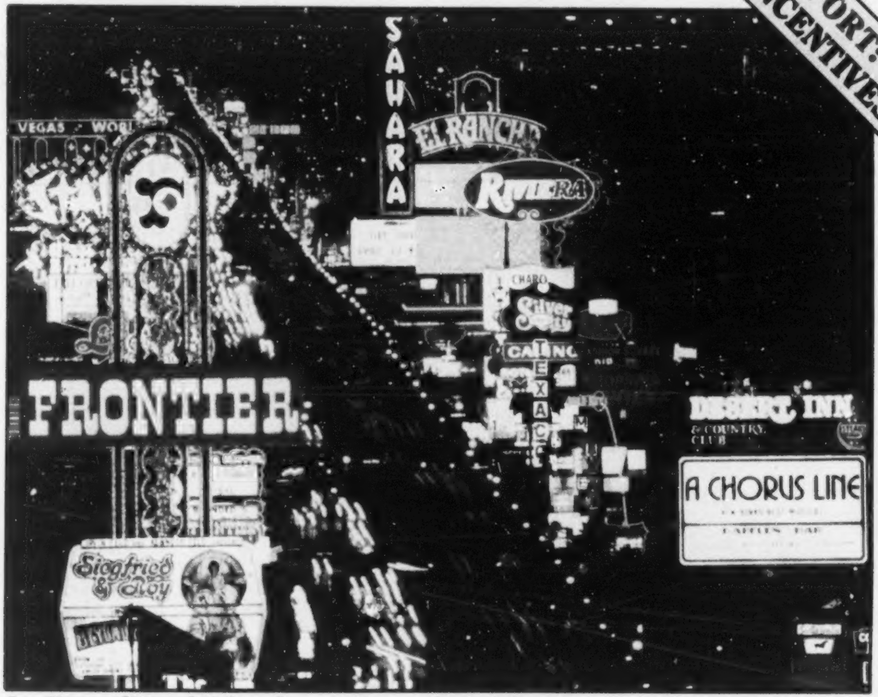
Incentive Ma[illegible]ting

SPECIAL REPORT: INSURANCE INCENTIVES

July 1983



Las Vegas glitters brighter for gamblers and gambolers. See page 61.

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Insurance Incentives

The largest user of sales force incentives, the insurance field puts a premium on individual performance, and pays off handsomely with merchandise and travel awards.

Say "motivation" and you probably think of salespeople first. They represent the clearest target of a motivation program—movable to personal performance, selling—not just buying something.

That kind of performance is an indispensable commodity in a year of economic rebirth, and indications are that sales-force incentives are predictably leading the field.

Sales incentives registered an estimated volume of $2,374,832,000 in 1982, a not-too-impressive 8.1 percent over the year before—but still outpacing other incentive techniques.

This year, every industry is expected to turn on the motivation power of sales incentives—probably at a higher rate than originally forecast in reports last year.

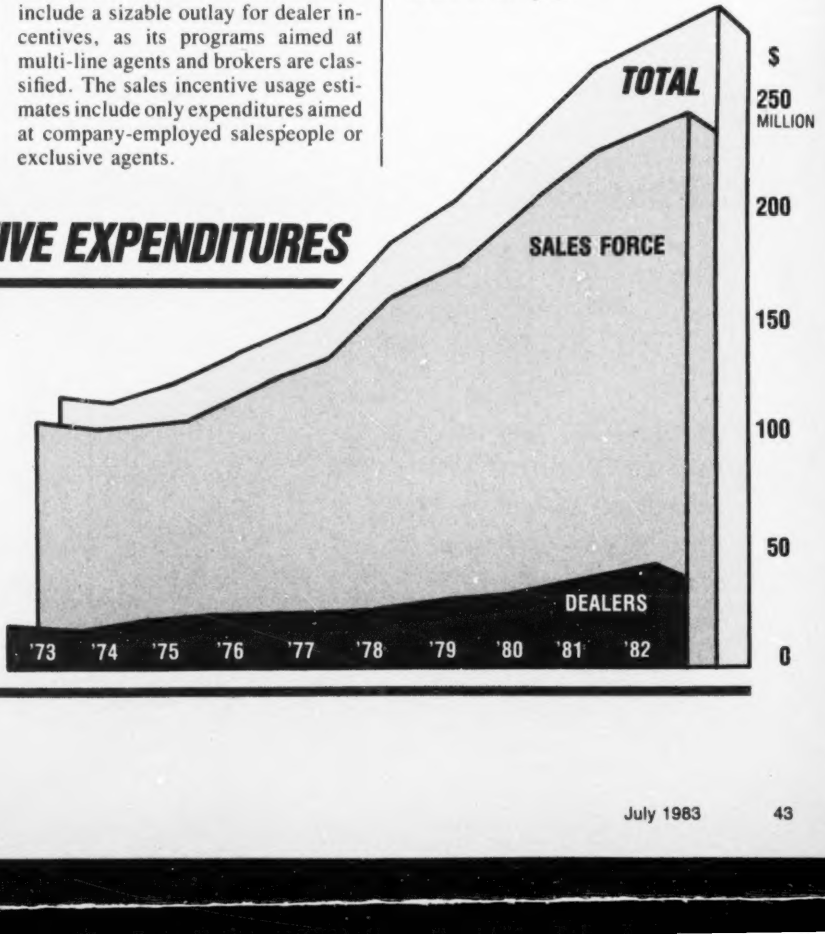
Of course the academicians remind us that we do not truly "motivate" people. They are motivated by inner reactions to a variety of personal stimuli. So be it; still, the mission of the sales incentive is to find those motivations and put them to work through the offer of tangible rewards and, especially, *recognition*.

In this year's special survey on sales incentive practices, rather than looking at a cross section of all industries, **IM** has focused on one industry where emphasis on personal performance and recognition is perhaps most highly developed—insurance. For many years, the insurance industry has been the largest user of incentives for salespeople—recently running more than 25 percent in expenditures ahead of the nearest rivals, Toiletries & Cosmetics, and Auto Parts, Tires & Accessories. And its sales incentive dollars in the annual estimates do not include a sizable outlay for dealer incentives, as its programs aimed at multi-line agents and brokers are classified. The sales incentive usage estimates include only expenditures aimed at company-employed salespeople or exclusive agents.

Estimated insurance expenditures in 1982 run to about $246 million on sales incentives and $47 million worth of dealer promotion, for a total of $293 million, up 9.9 percent from the $266 million reported in '81. The ratio of about five to one in favor of direct salespeople may be exaggerated by the fact that some executives report all their expenditures in this category. But the survey does show substantially more—perhaps as much as three to one—is devoted to sales forces over which the companies have more direct control.

However it is distributed, the insurance people indicate they are now spending at a rate about 15 percent ahead of last year.

INSURANCE INCENTIVE EXPENDITURES



Incentive expenditures barely dipped during the recession, and continue growing. Forecast: a 15% increase in 1983.

The 175 insurance firms included in **IM's** latest study are fairly evenly split—81 sell principally through direct sales forces, and 76 go through multi-line agents; the other 18 have mixed operations divided between the two types of field forces.

Incentive usage is greatest among life companies, and 50 percent of the respondents identified themselves that way. Another 13 percent are property or casualty underwriters, while 27 percent sell a combination of lines, and 10 percent do not fit any of these slots.

Insurance companies tend to have bigger sales forces than shown in previous all-industry surveys. These firms reported an average of 1678 people—with a median of 400. A year ago the all-industry survey included companies with sales forces averaging 670, and the median number was only 60. The direct-selling insurers averaged smaller sales forces (1290) than the firms selling through agencies (2124). In both groups, the range of size was from single-digit numbers to 16,000.

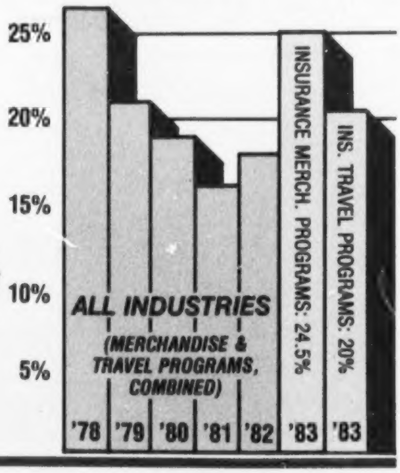
Reasons for using incentives are many, but nothing beats bringing in more dollars. An overall gain in sales volume is the primary stated objective of about three-fourths of respondents in most surveys. When it comes to boosting insurance premium volume, however, the top incentive objective is even more decisive—95 percent of these insurance executives listed "Increase Overall Production" as a major goal. Second choice, reflecting the importance of personal motivation, was "Boost Sales Force Morale," cited by 47 percent; a close third, favored by 46 percent, was "Push Specific Product Lines."

Other objectives of these insurance marketers are: "Introduce New Product Lines," 40 percent; "Increase Market Share," 33 percent; "Serve as Competitive Tool," 17 percent; and "Assist in Sales Training," 13 percent. The diversity of their approaches is shown by the fact that their responses average about 2½ objectives. Thus, even excluding the general goal of increased production, most tend to move toward more than one target in their incentive campaigns.

What they aim at those targets, more often than in any other industry, is a travel incentive plan. Insurance is not only the biggest user of sales incentives of all types; it is also the largest incentive travel user by a wide margin.

Of the total estimated insurance incentive expenditure last year ($293 million), about 54 percent—$158 million—went to sending insurance sellers to places near and far away on trips that frequently combined vacations and educational programs. Among companies selling principally through multi-line agents, travel is especially dominant—accounting for 80 percent of the total incentive budget.

SALES GAINS (% INCREASE WITH INCENTIVES)



Paced by strong program promotion, insurance companies enjoy above-average sales gains when they use incentive programs.

The distinction between types of sales force may be diminishing, however. The executives reporting in this survey tell **IM** that they are substantially increasing their travel expenditure for direct sales representatives—by as much as 20 percent—while travel usage for agencies is remaining unchanged or may decline somewhat.

Why is travel so big in the insurance industry? The distinction between use of travel and merchandise is not always an important one. It is a matter of management choice in terms of timing, promotion, budget, and objectives. For insurance executives, travel often seems to fit the needs best.

Travel by its nature is right for a long-term campaign, which tends to be the rule for many insurance companies. Selling insurance is often a much lengthier process than selling-in packaged goods to a supermarket—and marketers must gear their promotions to the time span. They find it easier to sustain enthusiasm for a travel incentive over a long period than with merchandise incentives.

If selling insurance takes longer than moving soap or soup, it also requires more personal knowledge of product lines—and profits from improved rapport between management and the field force. Both of these ends are served very effectively by travel. It is no accident that building morale is the second most-common insurance objective, after premium volume growth.

Nor is it accidental that insurance marketers hold more business meetings during their trips than most others. Of the travel users in the survey, 75 percent say they conduct such meetings, and they average almost 10 hours of meetings during a trip that averages four nights. The median number of hours is eight. Direct-selling firms are slightly more in favor of meetings (77 percent) than those selling through multi-line agents (70 percent)—but there is no difference in meeting hours between the two groups.

The two types of companies also do not differ in the frequency of their incentive campaigns. In both cases, the median is one travel promotion per year, and two merchandise or combination programs within that time.

The activity in the past year has produced excellent results for most insurance companies. Their bottom line in sales increases has been running ahead of the last all-industry survey—slightly ahead in travel programs, more significantly with merchandise. The previous report for all sales incentives was an average sales gain of 18.8 percent.

The insurance marketers have been experiencing a 20.1-percent growth through incentive travel, and their merchandise awards have produced an average of 24.5 percent more volume. The travel results appear to have been somewhat disappointing—considering that their target was an average increase of 22 percent. But the merchandise users came in right on goal, on the average.

Qualifying for a trip is about twice as tough for the insurance salesperson as earning merchandise prizes, if the percentage participation is a fair index. Only 22 percent of eligibles went on trips within the past year—but 43 percent of those eligible for merchandise awards earned them.

Insurance companies appear to be a bit more liberal than some others in measuring qualification. They qualify a participant for a minimum award at 79 percent of quota—while the all-industry average is 99 percent. Maximum credit is awarded at 112 percent, where the general survey showed awards credited up to 120 percent.

The quotas are set in many ways, but most—51 percent—favor a flexible system rather than rigid standards for arriving at the goals. Quotas are based on year-ago sales rates increased by another 23 percent, and on an immediate past period upped by 18 percent.

Quota achievement, however, is often a matter of competition in this industry, rather than absolute attainment. In 46 percent of cases, salespeople compete against each other for awards. The method more common in most industries—competition against one's own record—is a close second here, chosen by 40 percent of these executives. The remaining 14 percent of respondents said they use group or team competition. Thus, it is clear that six times out of ten when insurance people call it a "sales contest" they mean it, even though the term is less widely used than it once was.

The decision to have an incentive program is usually a less critical matter in the insurance industry than in most, simply because many companies use incentives on a regular yearly basis—often in 12-month programs. But, for this reason, the choice of specific incentives may be more difficult.

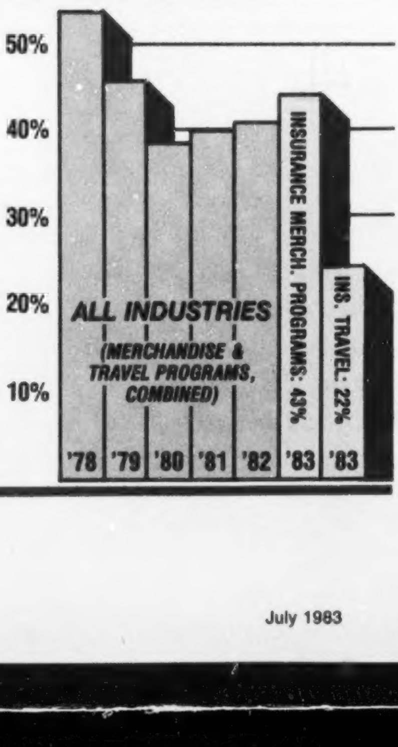
Although some companies have a clear preference between travel and merchandise—or a formula for scheduling both—that first decision is not always clear. One midwestern company with an incentive budget in the area of $3 million finds difficulty in "knowing what items create or generate the greatest motivation for sales. It appears that travel is less significant than merchandise awards currently." This executive nevertheless will spend the largest part of his 1983 budget on travel, and says his past experience shows travel yields about a 15-percent sales gain, compared with an average of 10 percent in merchandise-based campaigns.

The diversity of the audience of insurance agents also presents a special set of decisions, in the effort to "find something that motivates all people," as Paul G. Snow of Family Life Insurance Co., Houston, puts it. "There are so many likes and dislikes—it's like finding the promotion that turns off the fewest agents." Mr. Snow uses both travel and merchandise incentives in several four-week campaigns for his 200-plus direct sales force, and is increasing his budget 20 percent for both types of awards this year.

Trying to turn everybody on may also be a matter of scale, as seen by G. L. Petrovich of Slovene National Benefit Life in Illinois: "Agent earnings, personalities, and lifestyles" present a problem, he finds. "An agent with earnings in the low five figures may be delighted with a set of golf clubs. However, what does the agent with earnings in the upper six figures consider fair? The entire damn golf course!" Yet Mr. Petrovich, who uses only merchandise incentives, has been achieving a level of sales increases ranging from 12 to 17 percent with offers to his 325 direct salespeople, and 50 percent of them usually qualify. So he is planning a one-third boost in his spending for incentives this year over the '82 rate.

In their choice of incentive alternatives, travel users favor group trips with spouses in a majority of cases—58 percent. This choice leads among both types of firms, although those with direct sales forces are somewhat stronger for the group trip than those dealing with multi-line agents. Only 16 percent of the companies have group trips for agents only, excluding spouses—and 24 percent prefer indi-

AWARD WINNERS (% EARNING AWARDS)



Insurance companies spend about 54% of their budgets on travel, but use merchandise awards to reward the great body of agents.

TOP MERCHANDISE AWARDS . . . *Items most mentioned by respondents to the IM survey (in alphabetical order).*

- **Blanket**
- **Briefcase**
- **Calculator**
- **Camping Equipment**
- **Car Ornament**
- **Clock**
- **Clothing**
- **Desk Pad**
- **Dishes**
- **Electronics**
- **Gold Coin**
- **Leather Desk Items**
- **Luggage**
- **Microwave Oven**
- **Office Equipment**
- **Pen**
- **Pewter Bowl**
- **Plaque**
- **Plate**
- **Portfolio**
- **Shoes**
- **Sweater**
- **TV Set**
- **Tennis Racket**
- **Tote Bag**
- **Trophy**
- **VCR**
- **Watch**
- **Weather Station**

vidual travel awards to group movements.

The average number of people on their trips is 284, although the median is 125. About 30 percent of group-trip users take 60 or fewer people, while 29 percent include 300 or more.

The average trip length among these executives is four nights, and the unit cost is quite a bit higher than that found in the last all-industry study. Their average cost per couple is $1940—but the median is $1700. This compares with a median travel tab of only $1200 for all users.

Merchandise, on the other hand, tends to cost the insurance buyers less than in other industries. Although the average expenditure per unit award was $175, compared with an all-industry average estimate of almost as much, the median amount spent by all users was $117, compared with only $50 among the insurance executives.

In selecting their merchandise awards, the largest number (38 percent) like a single item or a small group of related products. But a majority prefer either a stock incentive catalog (35 percent) or a special catalog (29 percent). Home and family items are chosen by 59 percent, as opposed to personal items (38 percent) and business-related incentives (21 percent), as the "most effective" in motivating the sales force.

Despite the acknowledged difficulty of choosing the right travel destination or merchandise item from the thousands of options available, comments of many insurance executives suggest that the more frustrating problems start after the choices are made.

An eastern property/casualty company executive, who uses both travel and merchandise provided by a full-service incentive company, states that "the biggest problem I have experienced is dealing with the incentive houses. There are long delays in receiving awards, plus the costs are always higher than originally told. I have made several changes of incentive companies and have had the same problems."

A midwestern executive sums up most of the current obstacles: "Getting firm space and price commitments from airlines for budgeting purposes sufficiently in advance—at the time the campaign begins, which is generally 15 to 18 months in advance of travel time." Another midwesterner cites a different kind of travel problem: "Unmarried agents winning trips." But the biggest single travel puzzle is the one that is sure to become a little greater every year—where to go. With each destination used, there is one less choice the next time, many users point out.

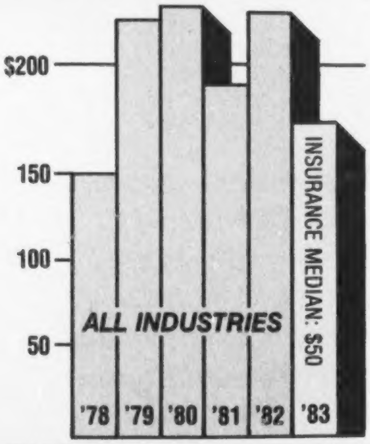
Both duration and preparation time for insurance incentive campaigns differ quite a bit from the universe of all users. The insurance executives generally run shorter merchandise programs (13 weeks) than the 17-week average for all industries in the last survey. But their travel campaigns are about 50 percent longer—an average of 41 weeks, compared with 27 weeks for all users.

The insurance marketers also run merchandise sprint promotions—often as add-ons to longer campaigns—averaging six weeks in duration.

Up-front time for planning shows a greater difference between the two groups. The general survey indicated users begin preparation 13 weeks ahead for merchandise offers, and 27 weeks before a trip. But in the insurance business the respective planning periods average 19 weeks and 55 weeks. Almost invariably this means

MERCHANDISE AWARDS (AVERAGE UNIT COST)

Insurers spend less on merchandise—but also run shorter programs, averaging 6 and 13 weeks, against an all-industry of 17 weeks.



the insurance executive has actively started planning a second travel program before the first one occurs.

One key part of the planning of any incentive program is selection of awards sources, whether merchandise or travel. For each of the two types, we asked users to report their favorite sources. Since some respondents crossed over, answering both, while others confined their answers to one category—without regard for their actual usage in some cases—the percentages do not necessarily relate to the number of actual users of each type. They are percentages of the *total respondents*, and should be used only for comparison within each group of suppliers:

Merchandise

38%	Wholesaler/jobber of premiums
34%	Local premium rep
30%	Direct from manufacturer
29%	Full-service incentive house
29%	Advertising specialty distributor
13%	Retail store

Travel

37%	Make own travel arrangements (in-house staff)
33%	Local travel agent
18%	Direct with travel supplier
10%	Full-service incentive house

These patterns are not much different from those seen in previous all-industry surveys. The merchandise wholesaler, however, ranks much higher here than in the last general survey (22 percent), and so does the premium rep, favored by 24 percent of last year's respondents in all industries.

Whatever their sources, insurance companies today are buying more incentives—and using them more effectively. With their 9.9-percent advance in motivational programs in 1982, and the possibility of approaching a 15-percent growth this year, they seem to have resumed their bellwether status in sales incentive usage—despite earlier forecasts of a below-average incentive expansion in IM's last Census reports.

And, with the national economy continuing its revival, these insurance marketers may represent the vanguard of a much more general upsurge in sales force motivation. ■

TOP TRAVEL DESTINATIONS . . . In order of popularity among respondents in this IM Survey.

35 FLORIDA
- 9 Disney World
- 4 Marco Island
- 3 Ft. Lauderdale
- 3 Miami
- 2 Captiva Island
- 2 Key Biscayne
- 2 Palm Beach
- 1 Sarasota

32 HAWAII

24 MEXICO
- 11 Acapulco
- 2 Cancun

20 CALIFORNIA
- 6 San Francisco
- 5 San Diego
- 1 Monterey
- 1 Newport
- 1 Palm Springs
- 1 Santa Barbara

16 PUERTO RICO

16 NEVADA
- 7 Las Vegas
- 7 Tahoe
- 2 Reno

16 ARIZONA
- 5 Phoenix
- 4 Scottsdale

11 ENGLAND
- 10 London

11 SO. CAROLINA
- 8 Hilton Head
- 2 Myrtle Beach
- 1 Charleston

9 BAHAMAS

9 NEW ORLEANS

8 CANADA
- 4 Montreal
- 3 Quebec
- 1 Toronto

8 SWITZERLAND

8 WASHINGTON DC

7 GERMANY
- 4 Munich

5 COLORADO
- 2 Colorado Springs
- 1 Vail

5 BERMUDA

5 JAMAICA

5 MONTE CARLO

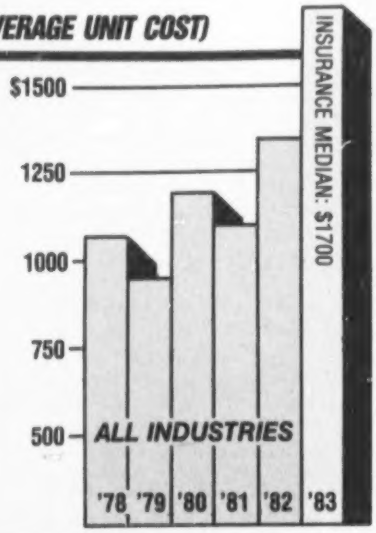
5 NASHVILLE

4 ATLANTIC CITY

4 NEW YORK

4 GEORGIA
- 3 Atlanta

TRAVEL AWARDS (AVERAGE UNIT COST)



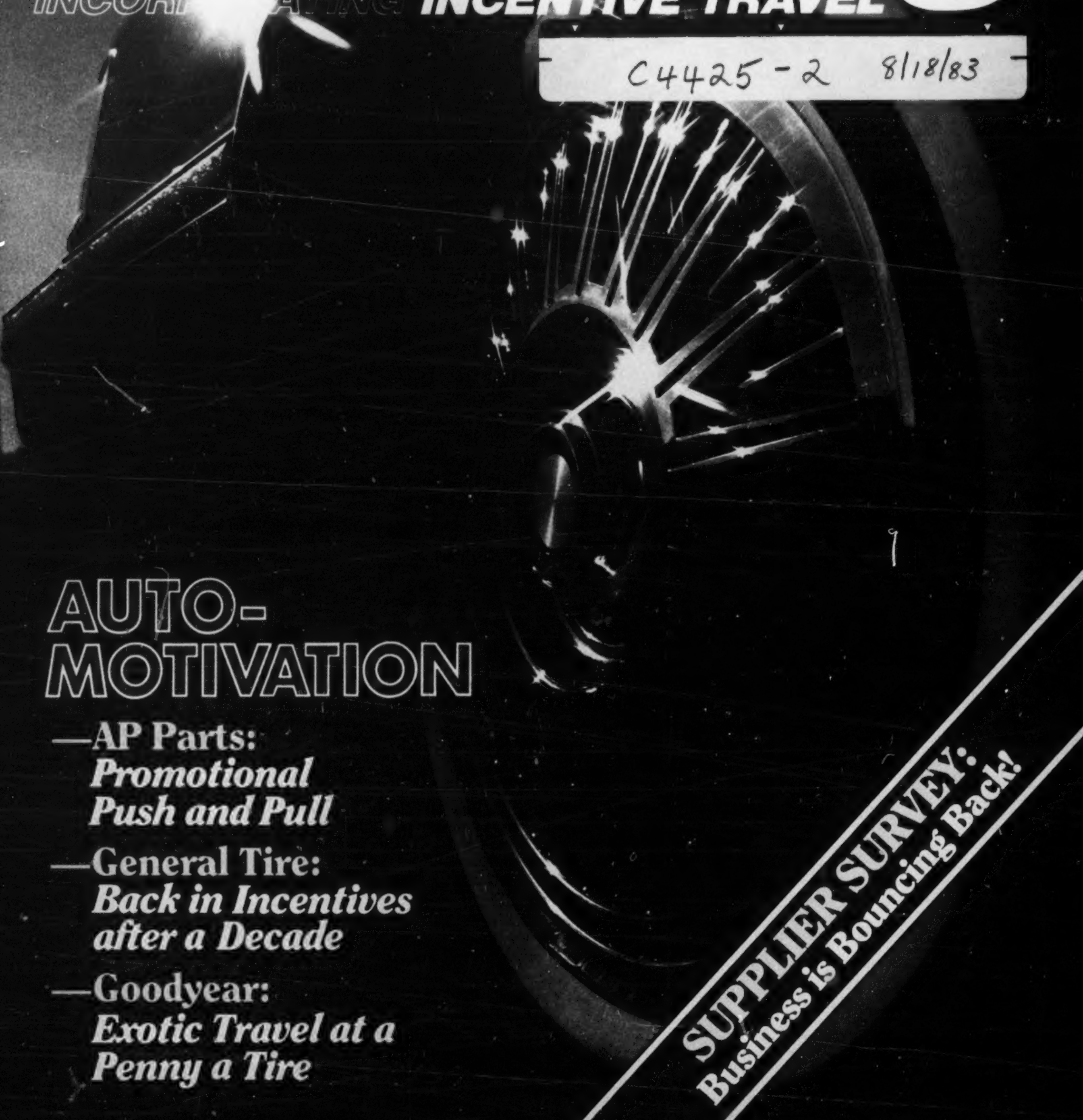
Travel looms large in insurance motivation, and trips cost twice the all-industry average. But travel programs also run longer.

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

AUGUST 1983

C4425-2 8/18/83



AUTO-MOTIVATION

—AP Parts: *Promotional Push and Pull*

—General Tire: *Back in Incentives after a Decade*

—Goodyear: *Exotic Travel at a Penny a Tire*

SUPPLIER SURVEY: Business is Bouncing Back!

A BILL PUBLIC

Incentive Marketing

August 1983

Goodyear's travel program took winners to the Great Wall of China. See page 37.

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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

SUPPLIER SIDE ECONOMICS

Premium sales execs cite improving business climate

NEW YORK NY.—How's business? Just fine, according to a recent **Incentive Marketing** survey of premium sales executives. The survey reveals a majority of the execs claiming improvement for their firms in the first half of 1983.

The survey, sent to 200 industry executives around the country, asked 20 questions covering various topics, including the national economy, customer base, selling methods, and merchandise prices. Sixty-six executives returned the surveys. As a group, their companies average slightly more than $3 million in annual incentive sales, although the range is broad, from $60,000 to $16 million annually. Sales of their incentive divisions constitute about 22 percent of their companies' annual total sales although, again, the range here is wide, amounting to anywhere from near zero percent to 100 percent.

Budding business. Some 55.5 percent of respondents say that business looks promising compared to 1982, and 92 percent maintain that things are at least keeping pace with last year's first six months. Less than one in five, or 17.5 percent, say that business is flagging.

Of those who say business is improving, the average estimate puts sales climbing by nearly 16 percent. In stark contrast, the minority who say sales are drooping put the fall at about 15.5 percent.

Still, when executives were asked to summarize their feelings about the national economy as the year progresses, a full 75 percent predict improvement, while 25 percent assert that, at worst, the economy will remain on par with last year's performance. None foresee any worsening of the economy.

The sales scene. Who is buying incentive products? The chief purchasers are corporate end-users, whom 42.6 percent of the premium execs sell to directly. Another 27.1 percent sell to premium jobbers, wholesalers, and ad specialty distributors while 22.7 percent ply their trade with incentive companies, trading stamps, etc. The remaining 7.6 percent do business with such organizations as direct mail houses, civic groups, country clubs, and ad agencies.

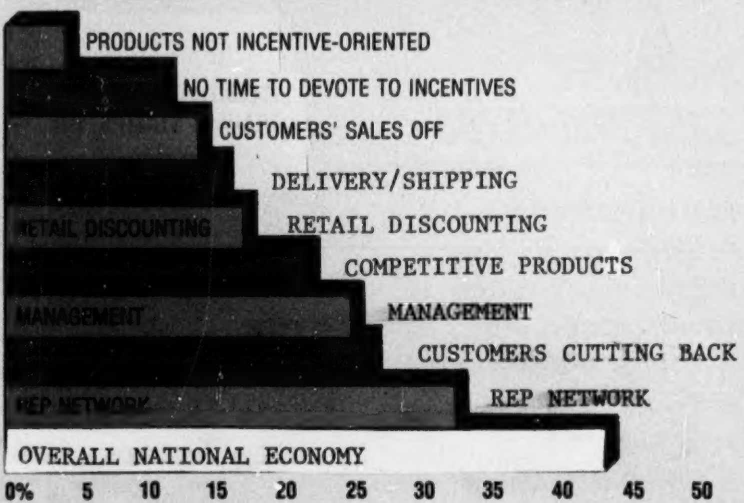
The execs, asked to estimate the percentage split between business conducted with on-going accounts (catalogs, etc.) and new accounts/one-time promotions, average out at 58/42 in favor of on-going accounts. Nearly 42 percent of them say they've increased the number of new accounts this year, 46.8 percent observe the number of accounts staying the same, and 11.3 percent say they've seen a decrease.

The respondents sell to the incentive market in numerous ways, chief among them being through independent national and regional reps. More than three-fourths, or 75.8 percent, list that as their prime method. More than a third, 38.7 percent, also use a direct company sales force. About 13 percent use ad specialty reps, and some, about 6.5 percent, use retail reps to handle their incentive business.

> ***Almost 90 percent say the number of accounts has increased or stayed the same.***

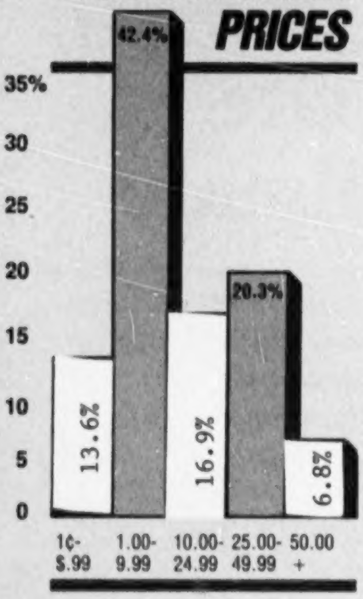
Rep raps. One question in the survey asked executives if they were satisfied with the coverage and business provided by their rep arrangements, and then invited their comments. More than half, 54.2 percent, say they are

PROBLEMS FACING '83 INCENTIVE SALES



RESPONDENTS MADE MULTIPLE SELECTIONS.

INCENTIVE ITEM PRICES



not satisfied, 42.4 percent say they are, and 3.4 percent express their feelings as "sometimes satisfied."

The problem? "Reps lack focus and aren't willing to spend the time on my products," writes one respondent, and his opinion is echoed by many others. "There is a lack of understanding and positioning of the lines they represent," remarks another. One suggests, "We should have completely premium-oriented rep organizations."

Yet, as disconcerted as many execs are with their rep arrangements, that is not cited as the number one headache. The overall national economy takes that honor, with 43.5 percent of respondents checking that off from a pack of 10 problems the survey listed. Problems with the rep network, checked by 32.2 percent of the execs, came in second. Other popular problems are: buyers cutting back on incentive promotion (chosen by 25.8 percent); lack of understanding by management of the incentive business (20.9 percent); retail discounting of product (17.7 percent); delivery/shipping problems at the factory (16.1 percent); business dependent on industries not currently healthy (14.5 percent); lack of time to devote to the incentive market (11.3 percent); and product line not right for incentives (4.8 percent).

Premium prices. Incentives may represent intangibles, but dollars are still the name of the game, and the respondents' most popular item costs an average of $29.40. The range, however, is very broad, covering a seven-cent to $500 spectrum. Those who increased prices on their products in 1983 hoisted them by an average of 3.8 percent. A dozen execs say prices are the same as last year's, and four say they have even decreased prices, a couple by as much as 15 percent. The highest price increase on products also is 15 percent.

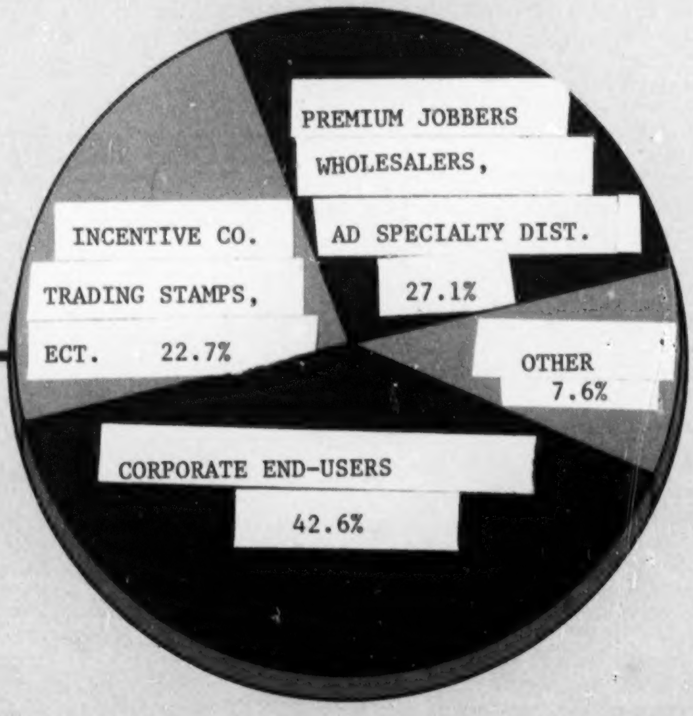
Do the executives plan to raise prices this year? Most, 78.3 percent, say no. The rest say yes, with the average increase set at about 8.2 percent. The range is from two percent to a hefty 40 percent.

How do companies spread news of their merchandise? The most popular method by far remains exhibiting at trade shows. More than nine in 10, 91.9 percent, take that route, and 69.3 percent also say they place advertising in one or more incentive magazines. Other methods are direct mail targeted to incentive users (48.4 percent do that) and collateral material customized for incentive programs (40.3 percent).

Respondents to this first annual **Incentive Marketing** survey, between them, average nearly a decade in the incentive business, with the last seven years spent at their present jobs. They spend an average of 70 percent of their job in the incentive realm, with a third of them spending every minute of their time dealing in the world of incentives. ■

INCENTIVE CUSTOMERS '83

More than three-fourths of respondents reach these customers through independent national and regional reps, and more than a third also use a direct sales force.



Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

SEPTEMBER 1983

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Business Gifts '83

Pre-Show Special:
National Premium-Incentive Show Product Guide

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Incentive Marketing

September 1983

THANK YOU THANK YOU THANK
Business Gifts '83

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20 ***THE BUSINESS OF BUSINESS GIFTS—***
After falling short of forecasts for 1982, business gift expenditures by American firms will easily surpass the $1 billion mark predicted for 1983. More than half (52 percent) of **IM** survey respondents indicate they are spending more on business gifts this year than they did in 1982. Other survey data reveals who gives gifts, when they do so, why, and to whom gifts are given.

30 ***GALLERY OF GIFTS—***
IM's product guide for the upcoming National Premium/Incentive Show features a wide variety of items to help fill all your shopping needs. Each item is keyed to an **IM** Reader Action Card number to help you locate their suppliers. NP/IS booth references are also listed—where possible—along with the items.

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

The Business of

A hundred and one people talk about "thanks" and "appreciation" for everyone who calls business gifts "a waste of money." Almost another hundred thinking of goodwill, friendship, and rapport outnumber the fellow who gives gifts but calls them "an entrapment."

This dearth of dirty words about the practice stands out as unusual in **IM's** 1983 Business Gifts survey, in a field where cynicism or worse has characterized many readers' comments in the past.

Along with an increase in benevolent attitudes seems to go a loosening of purse strings, as 52 percent of the survey respondents tell us they are spending more this year for business gifts than they did in 1982.

The **IM** estimate of last year's giving was $957-million. It now appears quite certain that this year's total, as was previously forecast, will easily surpass the $1-billion mark for the first time.

For the annual review of business gift practices, **IM** mailed a questionnaire to 500 known buyers of gifts; 304 executives responded, with 294 received in time for tabulation. Of these, 285 reported their gift expenditures for both 1982 and 1983.

These 285 companies estimate they will spend about $3,831,000 for business gifts this year—around 15 percent more than their '82 reports. The average budget comes to more than $13,000—but the median figure is just $6000.

Canon T50 Camera.
Canon USA Inc.
(Exhibiting at NPIS Booth 1335)

For more information, circle No. 1 on Reader Action Card.

Still looking at the median practice for a presumably typical gift user, the company's list of recipients numbers 125, and the mid-range unit cost of a gift is $18. (Neither the medians nor the averages relate directly, since the unit costs are price tags, without regard to quantity or total cost.)

The typical numbers are very close in two cases to those in a similar survey a year ago—with the median unit cost then at $18.50 and the number of recipients at 120. But, in terms of total expenditure, last year's median was only $3500.

Although the present surveyed executives show themselves as relatively big spenders, compared to last year, ironically a rather large number—37 percent—say they have cut back in the past two years, either by reducing the number of gifts purchased or by choosing lower-cost items. This compares with only 15 percent showing an actual cut in spending between '82 and '83—while 52 percent were increasing their outlays and 33 percent held the same budgets. Seemingly many of them "cut back" on one phase of the gift program and avoided large increases—but still spent more. Only about one in four of those indicating they had cut back said they plan to restore the cuts this year.

Selectivity among customers and prospects looks like a logical place to reduce gift expenditures, as the survey bears out. Giving only to major customers has always been the prevailing practice—chosen by 73 percent of the executives this year. The larger universe of "all or most customers" is now favored by only 17 percent, compared with 23 per-

Business Gifts

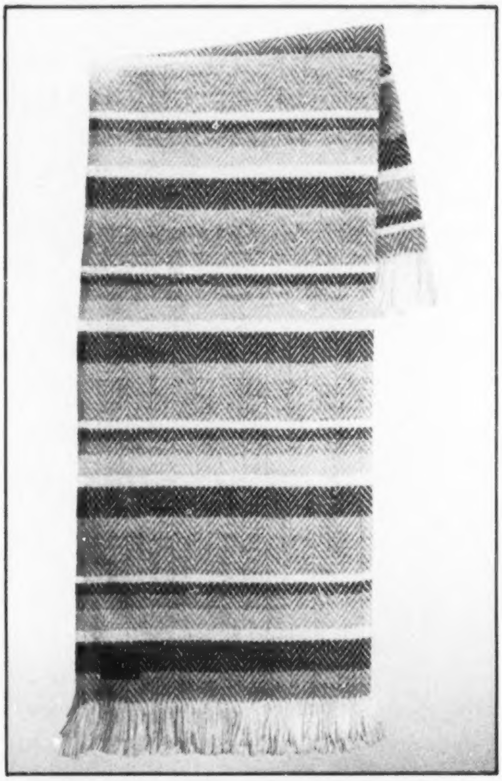
cent in the last two studies. And prospects now receive gifts from 13 percent rather than the 18 percent of a year ago. Employees remain the second favorite recipient group, at 38 percent, up four points from 1982. Stockholders get gifts from seven percent, and 10 percent give to others, including salesmen, distributors, directors, suppliers and plant or office visitors.

While thanks, appreciation, goodwill, and similar sentiments are the rule in most gift-giving, it is in these areas of special recipients that more clear-cut meaning comes to the process. "I give business gifts," says an auto-parts advertising executive, "to printers, photographers, art studio reps, and owners in appreciation of outstanding service. Many times we must apply heavy pressure to meet critical deadlines, and when they do an outstanding job within an almost impossible time frame without extra charge, I feel a gift is in order—and builds a loyal service bank for the future."

A machinery manufacturer notes, "In most cases we give a gift to a customer when he comes to our plant to check his machine prior to shipment. We do not send gifts or give them to our salesmen; only our executives give them on plant visitations. They are 'thank-you's' only."

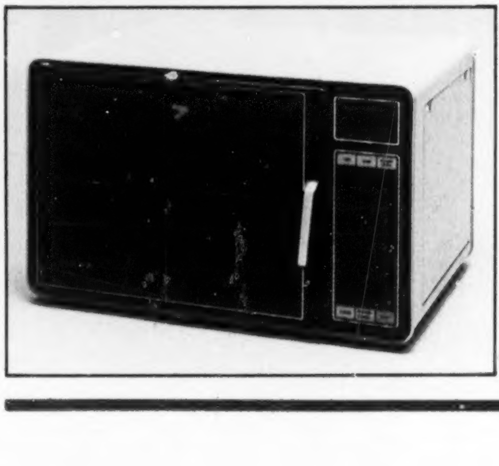
At General Electric in Rome GA, the plant visit is also the occasion for a gift, says R. Landwerlen, marketing consultant. "The gifts we give are directly connected to the customer's visit to our factory. Once they become members of the 'Centurion' club, and if they remain a buying influence, they continue to be a part of the program—a goodwill builder since 1968."

A housewares manufacturer gives gifts ranging from $20 to $50 in cost to sales representatives "in appreciation for service and loyalty ... we hope to continue to receive loyalty



Pendleton Z280 Throw Blanket.
Pendleton Woolen Mills.

For more information, circle No. 2 on Reader Action Card.

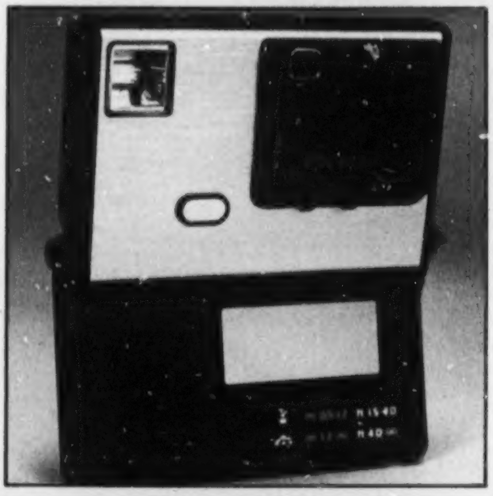


Go-Anywhere Microwave Oven.
Litton Microwave Cooking Products. (Exhibiting at NPIS Booth 1005)

For more information, circle No. 3 on Reader Action Card.

Jackets By DeLong.
DeLong Sportswear.
(Exhibiting at NPIS Booth 1956)

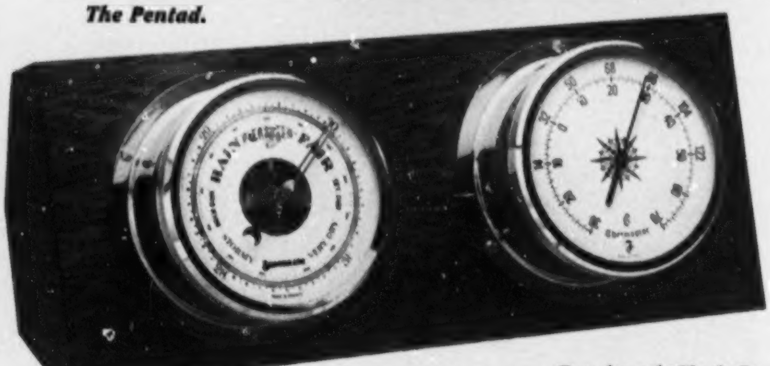
For more information, circle No. 7 on Reader Action Card.



Kodak Disc 8000 Camera.
Eastman Kodak Co.
(Exhibiting at NPIS Booth 2216)

For more information, circle No. 5 on Reader Action Card.

The Pentad.



Benchmark Clock Co.
(Exhibiting at NPIS Booth 747)

For more information, circle No. 6 on Reader Action Card.

and service."

An aviation industry executive spends about $85,000 for gifts, and says: "Most are associated with events on special sales promotion programs, and generally have a specific event connection and recipient recognition. Business gifts as such seem to be on a decline in the aviation industry—possibly due to the economic state of the industry, at one of its historic lows."

While Christmas remains the No. 1 gift occasion (according to 74 percent of the readers), special events and other non-holiday occasions continue strong (37 percent). Only very minor support was shown for four other types of occasions: Thanksgiving (seven percent), company anniversary (six percent), birthdays (four percent) and New Year's (two percent).

The special occasions, in addition to plant visits, include sales meetings, seminars, special promotions, trade shows, golf outings, safety awards, conventions and Easter.

Some gifts are, of course, t[illegible] more closely to salesmanship than altruism. References to "advertising" and "public relations" values were common among the surveyed executives. "All gifts are marked with logo, company name, address," said I.A. Yancy, regional manager of Anzon America, a Georgia chemical firm. "Our intent is to promote goodwill and rapport, reinforce image, and bestow recognition."

An industrial distributor in New York uses gifts "as part of advertising—to keep the company name before prospects—and to get detailed application stories for P.R. and Sales Data Book." And an electronics executive says "recipients will almost always provide an opportunity to respond to their requirements."

Business gifts "increase my business by 30 percent," reports A.J. Cutino of NY Nightlife Magazine. "I built my business of gifts—every time they see that gift they think of me."

Normand J. Lamontagne, of Lamont Labs Inc. in New Hampshire, uses gifts "in order to create the incentive to purchase; we constantly use advertising incentives or premiums in our daily sales activities."

And a Southern manufacturer puts it most succinctly of all, with emphasis: "To get the order! To get the order!!"

There are, it seems, at least three different kinds of business gifts. One is the traditional no-strings-attached offering at Christmas or another occasion. Some, however, are treated more as premiums, and are related to sales—while others, verging on the category of advertising specialties, are expected to do a promotional job by carrying a message.

To some extent, the price level of the gift item is a clue to where it falls among the three types. At the low end are the ad specialty types—at the top the hard-core incentive—and in between the traditional gifts.

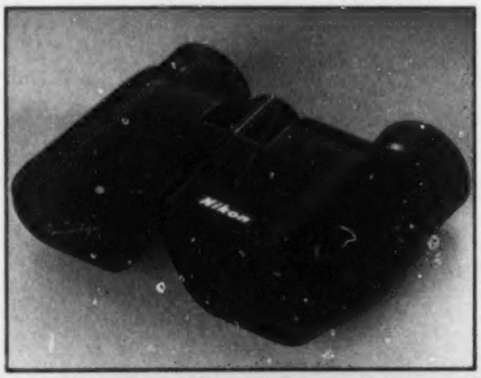
The most common gift cost remains, as it was a year ago, $10. About one-eighth of the 543 gift choices were reported at that cost level. Second choice was $25, mentioned almost as frequently; the third most popular price tag was $15. The median of $18 was substantially below the average of the figures mentioned—almost $30.

About 30 percent of all the gift selections named by these companies cost more than $25, the maximum amount the Internal Revenue Service permits as a tax-deductible expense. Some items listed went very far beyond that limit; in fact, if all gifts over $100 were removed from the list, the median unit cost drops to $15.

Almost one in four executives (24 percent) indicated the prices reported were higher than those of a year ago—but 69 percent of those answering the question said they have held the line at the same cost. For future purchases, the percentages are almost identical—69 percent planning no increase, and 20 percent expecting to pay more.

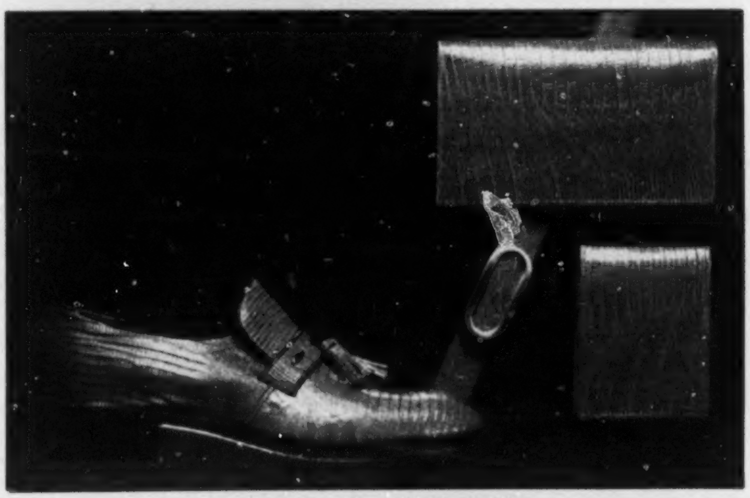
Buyers' preferences in items by category do not change much from year to year, and the broad class identified as "personal merchandise" remains the only one with a majority vote—53 percent in this survey. Desk items are second at 43 percent. Others, in order of preference, are food (28 percent), home and decorative items (19 percent), liquor (18 percent),

There are at least three different kinds of business gifts. One is the traditional no-strings-attached offering at Christmas or another occasion. Some, however, are treated more as premiums, and are related to sales—while others verge on ad specialties linked to promotion.



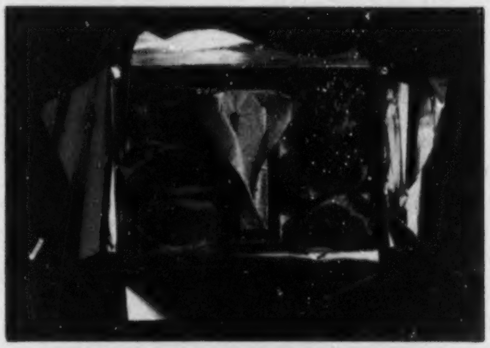
Nikon 7X20 Binocular.
Nikon Inc.
(Exhibiting at NPIS Booth 2306)

For more information, circle No. 4 on Reader Action Card.



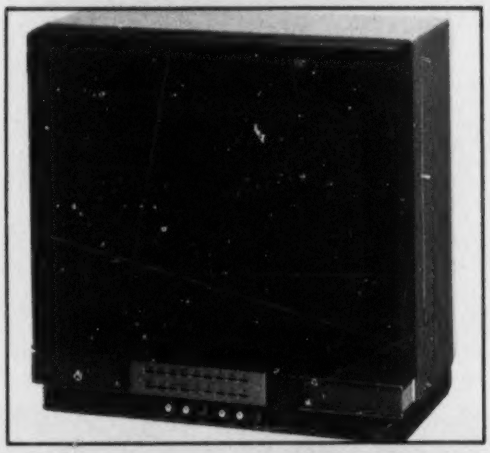
Nettleton Lizard Shoe With Matched Accessories.
McDonough Incentives.
(Exhibiting at NPIS Booth 1722)

For more information, circle No. 8 on Reader Action Card.



Package of 6-Ounce Filet Mignons.
Pfaelzer Brothers.
(Exhibiting at NPIS Booth 1610)

For more information, circle No. 11 on Reader Action Card.



14-Inch Blackstripe Television.
Toshiba America Inc.
(Exhibiting at NPIS Booth 1217)

For more information, circle No. 9 on Reader Action Card.

Official Olympic Collectibles.
Papel Inc.

For more information, circle No. 20 on Reader Action Card.

choice of several items (six percent) and the user's own products (four percent).

In all, the surveyed executives named 735 individual gift items, an average of 2½ choices per respondent. Pens and pen sets easily held their position as the popular choice, with clocks, diaries, and liquor the next most common. But individuality clearly exists too—with 66 items listed by only one respondent, ranging from a yo-yo to toilet tissue.

The selection of several different items to cover the gift list is the prevailing practice among most of the surveyed users—in part a move to personalize the item to the recipient. True personalizing, however—by imprinting the name or initials of the recipient on the gift—is an increasingly rare thing; only three percent either did not answer or said they sometimes personalize their gifts. Another method of providing a personal touch is to hand-pick each gift for the intended recipient; this is often done in retail stores, and that is a favored source listed by 12 percent—slightly more than in other recent surveys.

The first-choice source for gifts, named by 43 percent, is direct from manufacturers. Incentive reps run second at 37 percent, while advertisng specialty counselors provide items for 30 percent. Other sources were wholesalers, 22 percent; premium jobbers, incentive houses or trading stamp firms, 13 percent; mail-order firms, eight percent; and "other," two percent.

When executives place orders for their gifts depends in part upon the source and delivery time required. But the biggest factor naturally is when the items will be given. While Christmas—chosen by 74 percent for their giving—has slipped somewhat in favor, from the 80 to 85 percent of a few years ago, it is still the major influence. Thus the buying period is still heavily concentrated in September, October and November. In this year's survey group, 69 percent buy gifts during those three months, up a bit from the 64 percent a year ago.

Many buy in more than one month, bringing the total above 100 percent. Here is how the year goes for the buyer of business gifts:

January	*5%*
February	*7%*
March	*7%*
April	*5%*
May	*6%*
June	*1%*
July	*9%*
August	*10%*
September	*26%*
October	*27%*
November	*16%*
December	*8%*

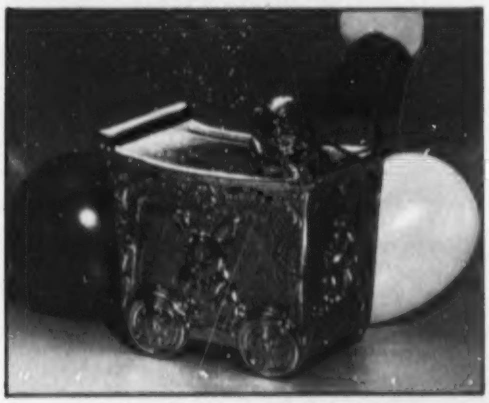
Business gifts are often considered a selling tool of salespeople in the field, and more gifts reach recipients through them than in any other way, as reported by 47 percent. Opinions differ as to how good a thing this is. A Midwestern manufacturer says he uses gifts "because the sales force cannot get along without them—no benefits, just a drain on an already limited ad budget."

But James M. Rossman of Chris Craft Industries says the gifts "help salespeople strengthen personal relationships with key accounts. All other elements of price, quality, service, etc., being equal, people buy from people with whom they're most comfortable."

The executive, of course, is often in a selling role too, and 37 percent of these executives say they or other company executives personally deliver gifts. Other means of getting the gift from giver to recipient include parcel delivery service (33 percent), mail (22 percent), and messengers—an old favorite now reduced to a one percent vote. "Other" delivery, at special events and visits, accounts for five. The votes exceed 100 percent because many executives use more than one means of delivering their gifts.

The gifts go to the recipients' places of business in most cases—a choice mentioned by 51 percent of the survey respondents. With 37 percent, some gifts go to the homes; 23 percent give to customers visiting their places of business.

Readers of **Incentive Marketing** in this and previous surveys are shown to be definitely of the giving class, extremely few of them in the receiving class so far as business gifts are concerned. They personally receive an average of only 6.7 gifts per year.



Silver-Plated Musical Carnival Bank.
Oneida Ltd.
(Exhibiting at NPIS Booth 2020)

For more information, circle No. 10 on Reader Action Card.

Ultra-Slim Microcassette Recorder.
Sony Corp. of America.
(Exhibiting at NPIS Booth 204)

For more information, circle No. 12 on Reader Action Card.

USA
OLYMPIC

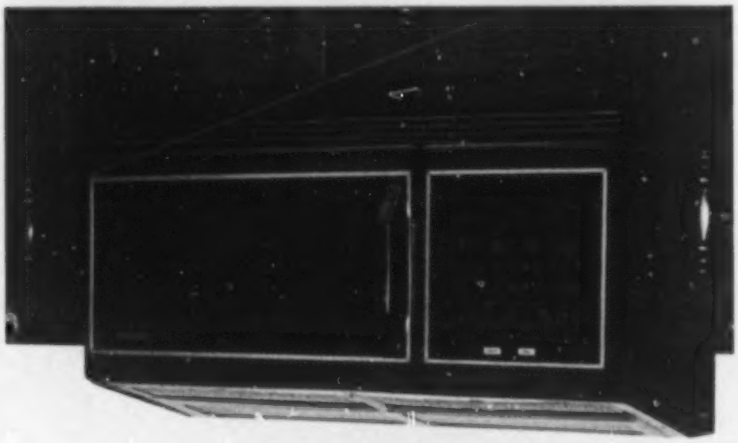
Olympic Commemorative Pocket Watch.
Longines-Wittnauer Watch Co.

For more information, circle No. 13 on Reader Action Card.

Business gifts are often considered a selling tool of salespeople in the field, and more gifts reach recipients through them than in any other way.

Freshwater Fishing Outfit.
Daiwa Corp.
(Exhibiting at NPIS Booth 1728)

For more information, circle No. 14 on Reader Action Card.



Spacemaker Microwave Oven.
General Electric Co.
(Exhibiting at NPIS Booth 923)
For more information, circle No. 15 on Reader Action Card.

About one percent reported receiving 50 to 100 gifts, and 15 percent said they receive none at all. A few, ironically, said their companies have policies prohibiting acceptance of gifts.

That kind of policy has been around for some years. While estimates vary widely, these executives on the average find it in 27 percent of cases—among the 67 percent who admitted experiencing it at all. But 16 percent said the practice is nonexistent and 17 percent did not reply to the question. In any case, about two-thirds of those answering do not believe the anti-gift policy is spreading.

Such policies obviously stem from ethical questions about the propriety of gifts and the likelihood of their improperly influencing purchase decisions. So we asked these readers about it. First, "Do you believe your gifts to business friends have ever improperly influenced a customer's buying decisions?" Only seven percent responded in the affirmative, while 83 percent said "no" and 10 percent did not answer.

On the other hand, we asked, "Do you believe gifts you received have ever been intended to influence you improperly?" Here nine percent allowed the possibility, 70 percent said "no" and the other 12 percent didn't want to talk about it.

Although there was a rather refreshing lack in this survey of negative and cynical comments on the practice by gift users, it is clear from many that they still feel slightly defensive about the whole idea—emphasizing that their gift practices are indeed wholesome and without evil intent.

"We are circumspect about our gift procedure," says one manufacturer, "and keep the amount spent per gift within a respectable limit—so that the receiver is not compromised." R. Forster of Henley Paper Co. says the company's gifts are used "to thank one for the business—not to buy it. I only give after doing business."

A perfume manufacturer gives desk items and his own products to express appreciation "for special courtesies or considerations . . . All are given well after purchasing decisions are made."

And G. Petetin of Intercontinental Lubricants Corp. points out that gifts are given "to recognize that a valued business relationship exists (not potential)."

"To create goodwill" is a good enough reason for gifts in the mind of Robert T. Linsmayer of Villaume Co. If a benefit is to be derived, his answer comes very close to defining it: "The benefit of the doubt." ■

THE TOP CHOICES

(Listed by 5% or more—
in order of mentions)

- *Pen or Pen Set*
- *Clock*
- *Diary*
- *Liquor*
- *Calendar*
- *Calculator*
- *Knife*
- *Golf Item*
- *Desk Set*
- *Cheese*
- *Briefcase/Attache*

POPULAR CHOICES

(Listed by 2% or more—
in order of mentions)

- *Tools*
- *Food*
- *Fruit*
- *Mugs/Cups*
- *Apparel*
- *Steaks*
- *Watch*
- *Wine*
- *Jacket*
- *Meat*
- *Tote Bag*
- *Portfolio*
- *Radio*
- *Weather Instrument*
- *Flashlight*
- *Lighter*
- *Tie*
- *TV Set*
- *Travel Alarm*
- *Card Case*
- *Glasses*
- *Key Chain*
- *Luggage*
- *T-Shirt*
- *Paperweight*
- *Turkey*
- *Appliance*
- *Hat/Cap*
- *Christmas Wrap*

Gift-giving expresses gratitude for valued business relationships.

Quartz Coin Alarm Clock.
Seiko Time Corp.
(Exhibiting at NPIS Booth 1415)

For more information, circle No. 16 on Reader Action Card.

The Executive Treasure Chest.
Sugardale Foods Inc.
(Exhibiting at NPIS Booth 505)
For more information, circle No. 17 on Reader Action Card.

Spectrum of Incentive Awards

Spectrum Of Incentive Awards Catalog.
United Marketing Services.
(Exhibiting at NPIS Booth 1952)

For more information, circle No. 101 on Reader Action Card.

REACH FOR THE STARS

Reach For The Stars Gift Catalog.
The Van Heusen Corporate Markets Co.
(Exhibiting at NPIS Booth 1003)

For more information, circle No. 18 on Reader Action Card.

Desk Clock With Pen Set.
Howard Miller Clock
(Exhibiting at NPIS Booth 1112)

For more information, circle No. 19 on Reader Action Card.

MORE EXCLUSIVE CHOICES

(Fewer than 2% mentions—alphabetically)

Address Book, Art Print, Ash Tray, Atlas, Bank, Barbecue Tools, Basket, Beer Tankard, Binoculars, Blanket, Book, Brass, Buckle, Cake, Camera, Candle, Cards, Carton Cutter, Charm, China, Cigars, Clipboard, Clock Radio, Coffee-Maker, Coins, Compass, Computer, Cookbook, Cooler, Crystal, Cufflinks, Cutlery, Decanter, Decorative Item, Dictionary, Dinner, Dish, Electronics, Entertainment, Fan, Fireplace Tools, Flowers/Plant, Furniture, Game, Gift Certificate, Globe, Gloves, Grill, Hair Dryer, Ice Bucket, Jams/Jellies, Jewelry, Knife Sharpener, Lamp, Lantern, Leather Goods, Letter Opener, Linen Tester, Lucite Cube, Magazine Rack, Magazine Subscription, Magnifying Glass, Make-Up, Maple Syrup, Memo-Holder, Microwave Oven, Mixing Bowls, Model, Money Clip, Nail Clipper, Napkins, Nuts, Paper Cube, Pencil Sharpener, Penlight, Perfume, Pewter, Phone, Picnic Set, Pillbox, Plaque, Plate, Pocket Secretary, Popcorn, Popcorn Maker, Razor, Ruler, Safety Item, Sausage, Scale, Scarf, Shirt, Shoes, Silver, Smoke Detector, Soap, Sound Cube, Sporting Goods, Sports Tickets, Sunglasses, Tape Measure, Tape Recorder, Theater Tickets, Thermometer, Tie Tack, Toaster Oven, Toilet Tissue, Towels, Travel, Travel Kit, Tray, Treasure Chest, Tree, Umbrella, Vacuum Bottle, Vase, Vegetables, Video Recorder, Wallet, Yo-Yo.

IM'S GALLERY OF BUSINESS GIFT IDEAS BEGINS ON PAGE 30.

Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

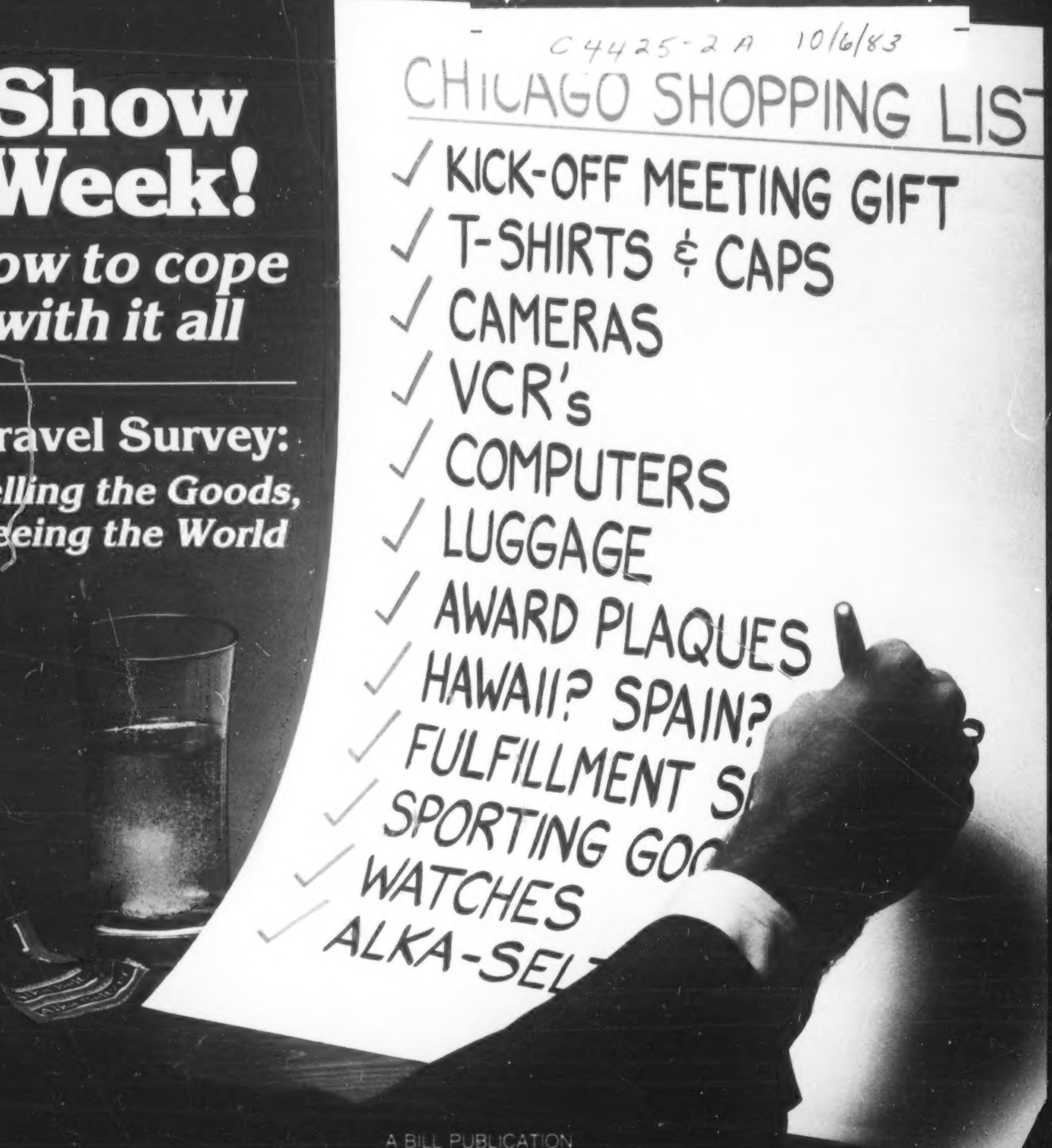
OCTOBER 1983

Show Week!

How to cope with it all

Travel Survey:

Selling the Goods, Seeing the World


CHICAGO SHOPPING LIST
✓ KICK-OFF MEETING GIFT
✓ T-SHIRTS & CAPS
✓ CAMERAS
✓ VCR's
✓ COMPUTERS
✓ LUGGAGE
✓ AWARD PLAQUES
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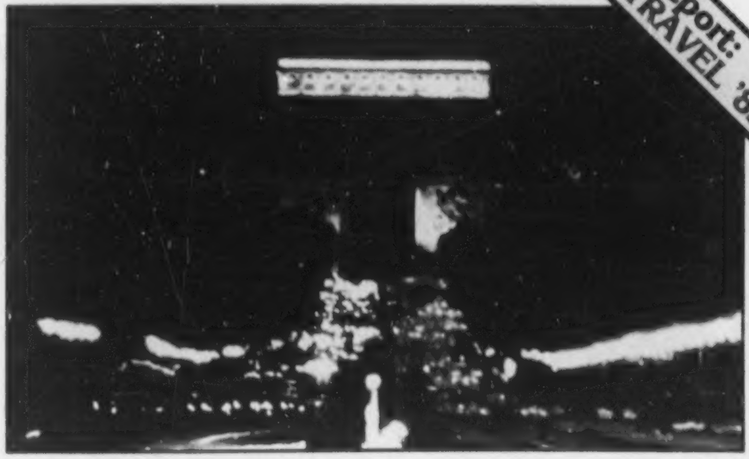
Incentive Marketing

Special Report: INCENTIVE TRAVEL '83

October 1983



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Incentive Travel Reader Survey

Selling the Goods, Seeing the World.

Incentive travel groups are smaller this year, but the per-winner budget is up a whopping 33 percent, topping $2000-per-couple for the first time in **IM** surveys. However, the trend is distinctly toward US domestic sites. For US trips (including Hawaii, Puerto Rico, and US Virgin Islands), companies report a 5.9 percent budget increase, for a 1983 average of $130,122. Those buying foreign destination incentive trips report a 9.6 percent decline in budgets, for an average of $189,802.

The executives responding to **Incentive Marketing's** latest survey continue, however, to be enthusiastic about travel incentives, and 34 percent say they plan to increase those programs in the next two years, while only 10 percent plan cuts.

That they are not increasing travel promotion this year as much as some past years probably reflects, in about equal measure, the maturing of the travel concept and the state of the national economy.

Many users cited the national economic picture as a problem in their program planning. And the relatively longer planning period for travel than for merchandise programs extends the duration of any slump. This was noted a year ago in a similar **IM** survey, which turned up one of the smallest expansion figures since travel began its meteoric rise in the late 1950s. Both the economy in general and unpredictable travel costs in particular were named by large numbers of the executives as influences restricting their expansion of travel promotions.

But things like that have not appreciably slowed the march of incentive travel for over a quarter century. There may be more at work. Statistics show, for example, that the edge travel once had as a producer of sales increases has been tending to disappear. As compared with merchandise incentive programs, it holds its own well—but hasn't shown the clear superiority it had a few years ago when travel consistently brought survey-average sales gains of more than 20 percent. In 1977, that figure dropped to 18 percent. It went slightly higher the next year—and hit a low point of about 15 percent in 1981. For '82, the average moved up to 16 percent.

Executives responding to our latest survey continue to be enthusiastic about incentive travel. 34% plan spending increases over the next two years.

These sales results are now generally about on a par with those of merchandise incentives. In comparable survey reports, there has been little difference recently—and in some cases merchandise has nosed out travel by a fraction.

This analysis in no way suggests, however, that travel is losing effectiveness to any significant extent—just getting in line with other types of incentives. For example, this year's survey finds an average program cost, as a percentage of incremental sales, of 10.6 percent—with a median at 7 percent, exactly the same as it has been for 3 years. Hence, it appears that the user is still getting all of his money's worth—but has slightly restructured to keep the cost-sales ratios in line.

This **IM** survey is based on the experience reports of 211 companies that use incentive travel. More than two-thirds of them provided figures on expenditures in both 1982 and '83, as well as other aspects of their travel incentive practices, procedures and results.

Total use of incentive travel surpassed a billion dollars for the first time in 1981—with an estimated $1,067,000,000 in marketers' expenditure. About two-thirds of the total is invested in motivational programs by the ten top travel-using industries. Their spending was estimated at:

Insurance	$136-million
Electronics, Radio, TV	106-million
Auto Parts, Tires, Accessories	92-million
Automobiles, Trucks	90-million
Farm Equipment	75-million
Heating, Air Conditioning	63-million
Office Equipment	46-million
Electric Appliances	41-million
Building Materials	32-million
Toiletries	28-million

While the largest share of incentive travel expenditures goes to dealer programs—for retailers, distributors and other middlemen—the biggest single target group is a company's own sales personnel. In this case, the surveyed executives direct their promotions at their own sales-

people in 76 percent of cases. The second choice is retailers, offered travel incentives by 34 percent; and 23 percent promote to distributors. Other targets are dealer sales personnel, 19 percent; distributor sales personnel, 17 percent; independent sales reps, 16 percent; direct-selling people, 11 percent; and non-sales personnel, 6 percent.

The sales personnel are most responsive, these readers tell us—with an average of 39 percent qualifying for the trips; this is a substantial improvement over the record shown by a similar 1982 survey group, 30 percent. Dealers, however, are doing a bit less well this year—with 28 percent accepting the incentives, compared with 30 percent a year ago. Distributor qualification is close to last year's figure—32 percent compared with 33 percent.

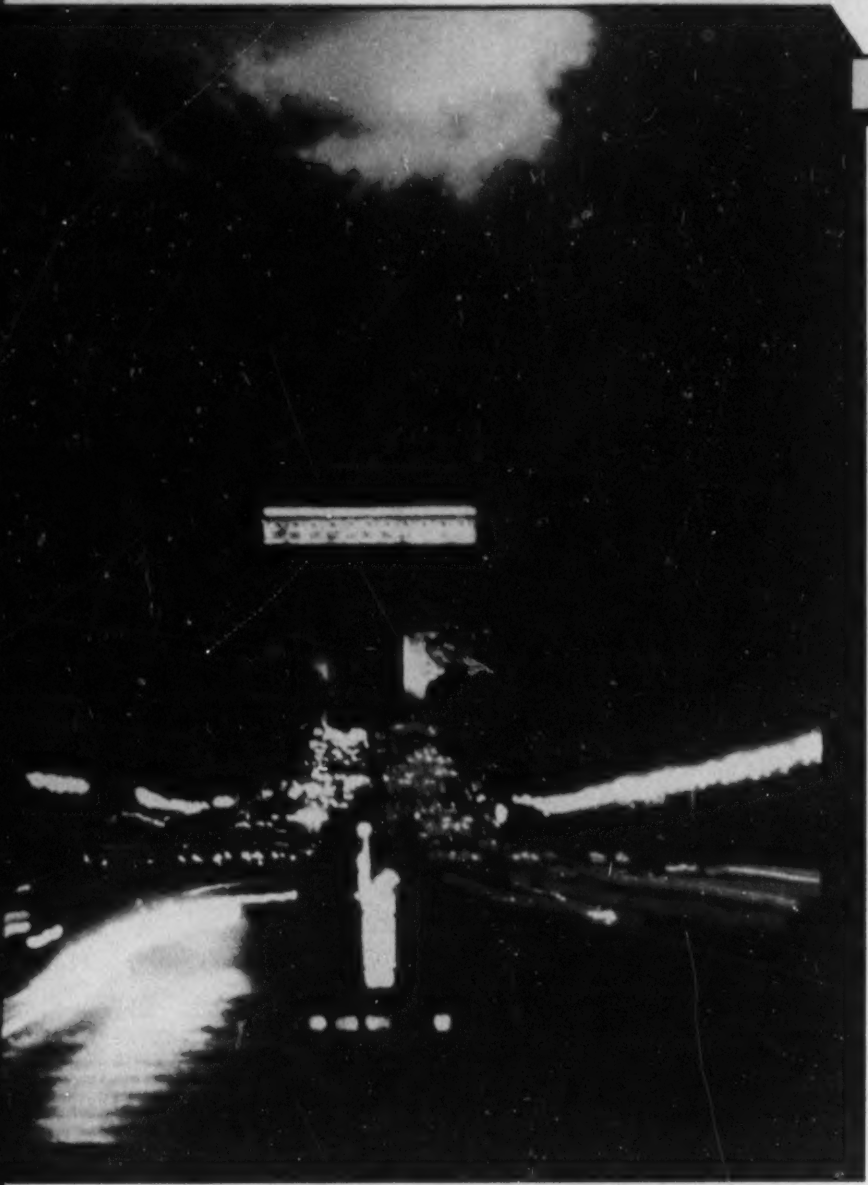
Regardless of the audience, why do marketers use incentive travel—what are their objectives? First, *sales*. Increasing overall sales volume is by far the most common goal in any incentive program—and a very high 81 percent listed it as a major objective in this survey. Last year, 69 percent had stressed this general target. But, in total, these users cited an average of more than 2½ objectives for their travel promotions, with selling new accounts and selling a full line as runners-up. While the overall sales gain is the broad goal of most, the rest of the list of 10 objectives define more specifically how these executives set up their programs to meet specific needs. Here is how they rate the things incentive travel can do:

81% Overall Volume Increase
40% Sell New Accounts
35% Sell Full Line
33% Boost Morale
26% Introduce New Products
16% Bolster Slow Season
12% Offset Competitive Promotion
9% Improve Inventory Situation
7% Get Store Displays
4% Aid in Sales Training

"Where to go" is a question almost as important as "why," but the answers can be more elusive. Among the companies in this survey, there were 471 answers given—52 percent of them domestic destinations (including Hawaii, Puerto Rico and the Virgin Islands) and 48 foreign. The incidence of foreign places is up 2 percentage points since the similar survey last year. In dollar expenditures, US sites are taking 58 percent of the budgets reported in the survey.

With hundreds of potential places to go, the manager's task is not an easy one. The major problem is "choosing the *right* place," notes Larry C. Campbell of McGregor Printing Corp. in Mississippi. "It is difficult to decide what location will give our salespeople that feeling of 'Man, I've got to win this trip. I've *always* wanted to go to ___.'" His recent choices have included such places as Nassau and South Lake Tahoe, for small groups representing only about 6 percent of the sales force winning the trips.

On the other hand, C.M. Patterson



of Metal Decor, Springfield IL, has about 70 percent of his salespeople winning; the problem becomes "the increased expectations from a group that rarely changes and the lack of facilities which cater to small groups." He takes 50 or 60 people to places like Las Vegas, San Antonio and Williamsburg.

"Everyone's idea of a dream vacation is different," one executive says, and there may be a problem when "the VP always wanted to go to Destination X." This same user, who moves groups of 50 to both domestic and foreign sites, also faces a problem with something experienced travel users consider a must: "It is hard to justify to management why an on-site inspection is so very necessary."

Every user has different criteria for site selection, but there are some common factors that stand out. We asked the executives in the survey to rate 13 different factors as "very important," "not important" or neutral. The principal conclusion to be drawn is that, first, price is the most important element and, secondly, the destination salespeople should stay home.

Price of the total trip package was rated very important by 67 percent of the respondents, with only 5 percent considering it unimportant. The only other criterion that got more very-important votes (41 percent) than the ho-hum middle range was "ease of access from around the country." Two others were judged important by more than one-third—recreation/sports facilities, by 38 percent, and personal experience, 37 percent.

Items rating high on the *not*-important scale included foreign destination (46) and meeting facilities (40).

Five other considerations—all important to some users, but generally failing to arouse strong feelings one way or the other in the survey group—were sightseeing/shopping, past trips we've run there, lively nightlife, US destination and well-known destination.

The destination question almost always suggests group travel; when individual trips are awarded, the winners usually have a choice. In this survey, 79 percent of the executives indicate they run group trips. And 35 percent said they give individual travel awards. At least 14 percent, it seems, use both forms.

There is very little choice of timing for an incentive trip, other than to stay away from summer in most cases. Only 18 percent said they conduct trips in the summer. But there was relatively minor difference among the other seasons: spring (45 percent), fall (46 percent) and winter (38 percent). The fact that the answers total well over 100 percent shows that these users are not wedded to any seasons, but shift with marketing needs, destination choices or other factors. In many cases, trade practice in the user's business will be the major influence—when can you afford to have a good part of your sales force, or the dealer organization, off somewhere playing?

Length of stay also varies considerably—from 2 nights to 13 or 14 nights in this survey group. The majority of trips they conduct range from 4 to 7 nights. The average is just a shade over 5 nights.

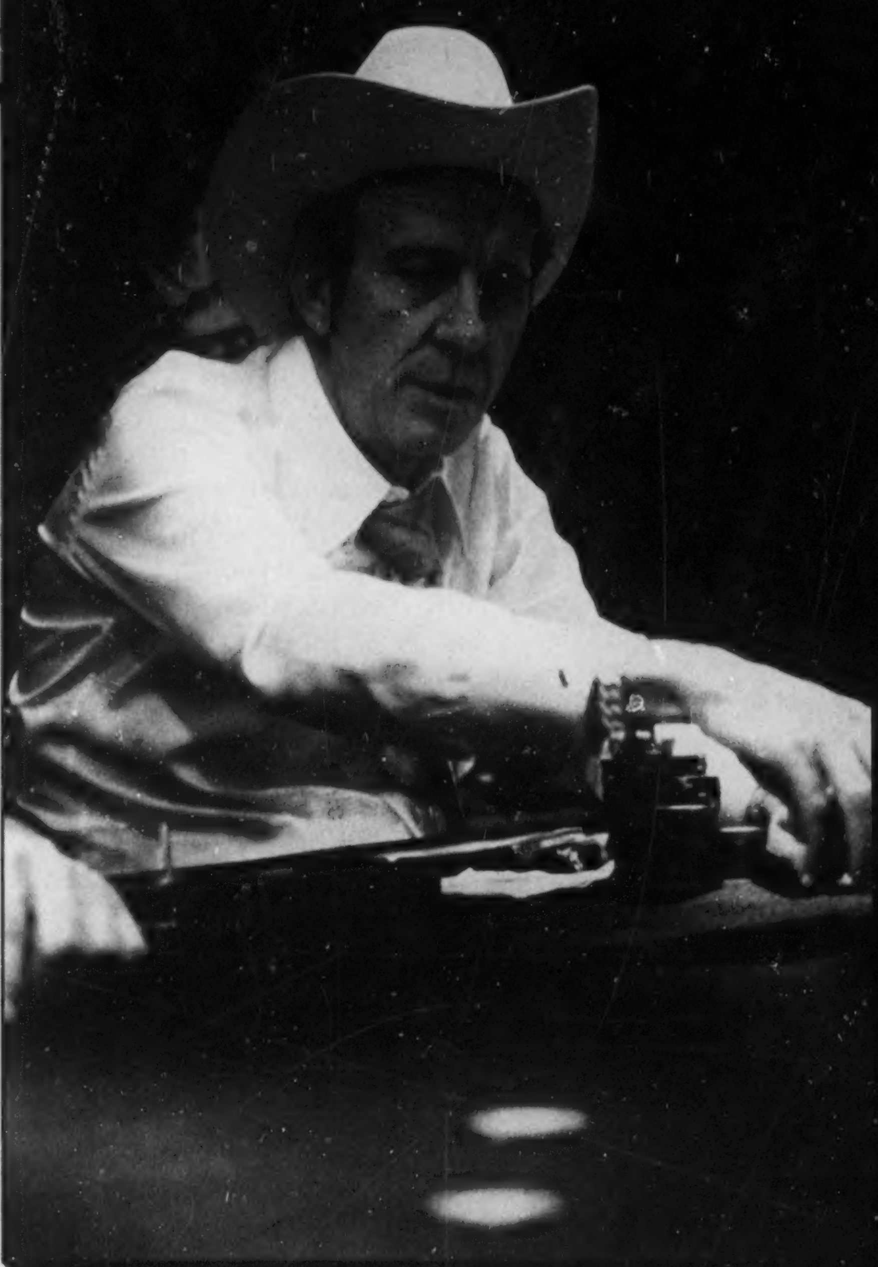
There is a growing practice of conducting a certain number of business meetings during the group incentive trip. With a dealer or distributor organization, meetings are likely to center on new-product introduction or other line-orientation content. Sales force trips may include that too—but are often weighted with sales-training sessions.

In this year's survey group of 211 companies, 58 percent say they usually conduct some meetings on the trip, while 39 percent do not. That compares with 49 percent who indicated a year ago that they have meetings on their incentive trips. The 58 percent holding meetings translates to 73 percent when related only to those who report group travel.

These users say they include an average of 9 hours of business sessions on a trip—a slight reduction from the 9.7-hour average reported in last year's survey. For some, the meeting content is more than a casual aspect of the trip—it may be a crucial management tool. In planning an incentive program, says F.P. Malloy, a Cleveland executive, "selecting the right objective and ensuring the business sessions of the program are meaningful and have impact" is most important. "Conducting the program calls for excellent organization, communications and logistics."

When the destination is chosen, the user must have his budgeting in mind—since the cost of the trip has an obviously large bearing on where you can take the people. Yet the specific details of the budget, its basis, and its durability are make-or-break elements.

We offered users four principal choices as to the source of their budgets. The most popular, picked by 49 percent, was "special budget set in advance." This means, usually, that the company has put down the money and said, "that's it—that's what we're going to spend." Second choice among the respondents was "% of forecast sales in period," chosen by 20 percent. This is similar to the "special" budget, but ties it fairly directly to a sales number. Next in favor was "regular promotion funds," cited by 19 percent. In this kind of situation, a fixed amount of money is usually earmarked from every product unit sold to be spent for the promotion—and it thus becomes very similar to the forecast-based budget. The fourth choice, "% of added sales (open end)," was liked by only 18 percent, although it is probably the ultimate ideal method of structuring an incentive plan—making the rewards fit the performance precisely; the trouble with it is its relative unpredictability, which makes comptrollers nervous.



Whatever the foundation of the budget, it has to meet certain tests in the field of reality—a part of which is the test of time. C. E. Miller of Larson Boats, division of Lund American, Little Falls MN, expresses it as a hope that "the initial cost or estimated cost in the early planning stages is realistic and will be close to the final costs. Working some 15-18 months out requires realistic appraisal of currency exchange rates, inflation, suppliers holding quotes, etc."

Establishing attainable quotas for salespeople or dealers, and translating them into budgets, requires some expertise. Actually, quotas may be a two-way street. We gave the users surveyed two choices, and 53 percent said their quotas are "based on sales forecast, and budget derived from it." Only 29 percent prefer the other route—"Quotas set on basis of budget requirements previously decided."

The quota question has much to do with the potential for qualifying winners. The easy way, relatively, is to work from a predetermined number of winners; budgeting is relatively easy, and accidents are minimized. Only 32 percent of these users follow that method, however. The other 68 percent of those answering said they use an open-end method, in which all who reach specified goals earn a trip. This, of course, is the unknown element in the program—the point at which a certain amount of clairvoyance could help any marketer.

Every executive knows it costs a lot of money to travel these days; but if you are an incentive user, the problem is vastly more complex than planning your own sales travel in the field. You have to count on promotion costs—maybe a dozen or more items there alone—airfares that fluctuate wildly, ridiculous hotel costs, taxi and bus fares, many other ground operations, currency rates, costs of gifts and promotional items, meeting set-up costs, printing expenses, odds and ends of labor costs on the site, and many other possible surprises. But it all has to come out to one nice, clean number: total cost per person, or per couple.

Incentive travel users are still getting their money's worth, says this group. They report sales increases averaging 16%, while program costs average 10.6% of incremental sales.

That number has been tending to rise rapidly in the past few years—but has been held back a bit by users of incentive travel who shaved the costs, cut back the days, or minimized the miles to keep the total in line. But it has still busted through the ceiling.

This year's special-survey respondents show they have an average cost per person of $1139—or $2049 per couple, if they figure it that way. Looking at the midpoints—the medians are, respectively, $1000 and $2000. The $2000-per-couple median compares with a median of only $1500 a year ago for the comparable group of marketers—a 33-percent increase in one year.

Not surprisingly, when we asked these executives if their unit travel costs had increased in the past two years, 60 percent said "yes." Only 5 percent said they had declined, and 35 percent reported their costs were stable.

Groups got a bit smaller, however, perhaps as compensation for the higher costs. This year's survey respondents report an average of 113

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travelers, and a median of just 50 people. In last year's survey, the numbers were an average of 241 people, and a median of 100.

The user does not always bear the total cost of the trip, however—although the exceptions are minor. One exception is the case of a program in which a dealer or distributor shares in the cost. On a question about this, 32 percent answered, indicating they do run programs involving employees of middlemen. Of these, 43 percent reported they do not charge back any of the cost to the salespeople's employers. Among the remaining firms—only 18 percent of the total users surveyed—an average of 48.7 percent of the trip cost is paid by the wholesaler or retailer.

Another party may help to pay the trip cost—the recipient of the award. A minority of users permit the salespeople or dealers to buy in—pay a portion of the trip cost to go along, even though they did not reach full qualification. In this survey group, 54 percent still do not permit buy-ins—but 37 percent do (the other 9 percent did not answer). Among those who do provide for buy-ins, an average of 31 percent of the people who go on a trip have shelled out.

There has been little change in the way the incentive travel budget is sliced—since the two largest items, transportation and hotel accommodations, have remained constant since last year's survey at 32 and 27 percent, respectively. The third-largest item, food & beverage, edged up 1 point to 18 percent this year. The other three budget items are promotion, meetings on site, and "other." Each was at 8 percent of the total budget a year ago. This year's survey finds them changed only slightly—at 7, 7 and 9 percent, respectively.

Price continues to be a key criterion in site selection, with 67% of these users calling it important.

The transportation cost share of 32 percent, the same found in the survey last year, compares with 37 percent reported in 1981—and figures ranging from 35 to 37 percent for a decade.

We have seen that the average trip duration among this year's survey respondents is about 5 nights. Actually, it comes to 5.2, as compared with an average of 4.9 a year ago. But the trip begins an average of 33 weeks before anybody gets on a plane or ship. That is the report of the surveyed users on when they firm up their destination choices and begin planning the trip. This is a bit lower than the finding last year—38 weeks. Usually the planning starts well before the qualifying sales period—about 15 weeks before, on the average.

Because of the generally higher price tags on a travel incentive, the selling period must usually be longer than with a merchandise program. Many companies—in this survey, 26

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percent—use the sales performance of a full year or longer for the incentive qualification. The average is lower—a bit over 7 months, about the same as reported last year.

There are more Murphy's Laws applying to the incentive travel area than to any other type of incentive effort. The most careful plans and arrangements have many places to go wrong—airlines, hotels, ground operators, promotion planners, meeting set-ups and more. To try to minimize the risks, a good number of companies prefer to rely on the experience of a full-service incentive house to handle everything. But only about 23 percent of the users in this survey—the same as last year—took this option. By far the biggest source of help is the retail travel agent, cited by 49 percent of these executives. Another 32 percent choose a do-it-yourself approach, with most details handled by in-house staff, and a 16 percent minority works directly with travel suppliers such as airlines or hotels.

Whatever the source of travel services, there can be problems. Although past surveys have indicated users do not believe the full-service incentive company costs more than other approaches, one Midwestern manufacturer who relies on them complains about "the add-on billing—it never comes out to the budgeted figure." A home-furnishings executive who relies on do-it-yourself planning plus a retail travel agency for foreign group trips of 250 people or more, looks in vain for a way of "being able to depend on air and ground operators following through on details of plans and agreements. Lack of communication down the line on their part."

"The greatest problem," says Larry Smith of Star Chemical Co., Hinsdale IL, "comes from poor management at the resort or hotel. Poor follow-through—poor planning with other department heads. Last but not least, passing on hidden costs to clients." And a Detroit manufacturer who makes his own travel arrangements for about 30 to domestic sites, complains of "Oversell—they're short on delivery of promises at destination—warmth and hospitality at site fall short of what it is before you arrive. Facilities should have an incentive program!"

It is often far easier to evaluate the performance of travel suppliers than to measure the success of the program in sales objectives. Just as "overall volume increase" is the favorite objective, "total units/dollars sold" is the front–runner as a means of evaluating results. This broad yardstick is applied by 56 percent of the surveyed executives. The percent reaching goal or quota is the second-choice measurement, selected by 40 percent; 21 percent look for increased market share; 20 percent count the profit on incremental sales; and 9 percent evaluate branch or district performance.

Possibly the most meaningful measure of success is the cost of the program in relation to the incremental sales it produces. As mentioned above, the survey found an average cost of 10.6 percent of added sales among these respondents—with a median of 7 percent—close to recent experience, and surely an indication of effective operation. It may be significant, however, that only 49 percent of the executives answered this question—suggesting that many had not analyzed or understood their results to the extent of being able to estimate this aspect of their programs.

When there is no incremental volume to measure—or not enough—the marketer must try to figure out why. What aspect of the program caused a failure? We asked the readers in this survey for their votes on the factors most likely to damage an incentive travel program—and the same number perceive insufficient planning as a main culprit. Only a bit behind, at 31 percent, the national economy was blamed for failures, while 22 percent took the next choice, insufficient promotion.

"Contest too long" was the judgment of 18 percent (while 4 percent blamed too short a campaign); 17 percent indicated the trip didn't meet expectations. Very minor problems—noted only by 8 percent in each case—were "wrong time of year" and "competitive promotion." The votes total more than 200 percent, indicating that the users, on the average, perceive at least two different contributors to a flop.

The question asked for "reasons incentive travel programs fail"—and pointed no fingers. Still, some respondents took pains to note, "I haven't had any failures!" or similar comments. Surely no one wants to think about the failure of a program that takes as much as a year to plan and involves a median expenditure of $50,000 ($40,000 domestic, $100,000 in foreign trips).

So, as one executive put it, "we don't plan to fail!" It might be more precise to say, we *plan* not to fail! ■

Where in the World? IM survey choices

UNITED STATES

- ***53 Hawaii***
  - **7 Maui**
- ***47 Florida***
  - **10 Disney World/ Orlando**
  - **2 Amelia Island**
  - **2 Key West**
  - **2 Miami**
  - **2 Palm Beach**
  - **2 Tampa**
  - **1 Boca Raton**
  - **1 Grenelefe**
  - **1 Innisbrook**
  - **1 Lake Buena Vista**
  - **1 Marco Island**
- ***30 Nevada***
  - **26 Las Vegas**
  - **3 Lake Tahoe**
  - **1 Reno**
- ***28 California***
  - **6 San Francisco**
  - **4 Anaheim/ Disneyland**
  - **4 Los Angeles**
  - **3 San Diego**
  - **2 Palm Springs**
  - **1 Carmel Valley**
  - **1 Napa Valley**
  - **1 Pebble Beach**
- ***13 Arizona***
  - **5 Scottsdale/ Phoenix**
- ***11 Puerto Rico***
- ***7 New York***
  - **1 Catskills**
  - **1 Niagara Falls**
- ***5 New Jersey (Atlantic City)***
- ***5 Pennsylvania***
  - **4 Poconos**
  - **1 Philadelphia**
- ***5 South Carolina***
  - **1 Hilton Head**
  - **1 Myrtle Beach**
- ***5 Texas***
  - **2 San Antonio**
- ***5 Virgin Islands***
  - **3 St. Thomas**
- ***4 Alaska***
- ***4 Colorado***
  - **1 Colorado Springs**
  - **1 Durango**
  - **1 Steamboat Springs**
- ***4 District of Columbia***
- ***4 Illinois***
- ***3 Missouri***
  - **1 Lake Ozark**
  - **1 St. Louis**
- ***3 Tennessee***
  - **3 Nashville**
- ***2 Louisiana (New Orleans)***
- ***2 New Hampshire***
- ***2 Washington St.***
- ***2 West Virginia***
- ***2 Wyoming***
  - **1 Jackson**
- ***1 Alabama***
- ***1 Arkansas***
- ***1 Georgia***
- ***1 Indiana***
- ***1 Maine***
- ***1 Massachusetts***
- ***1 North Carolina***
- ***1 Oregon***
- ***1 Virginia (Williamsburg)***
- ***1 Wisconsin (Lake Geneva)***
- ***1 Utah (Salt Lake City)***
- ***1 East Coast***
- ***1 New England***
- ***2 Super Bowl***

FOREIGN

- ***46 Mexico***
  - **11 Acapulco**
  - **6 Cancun**
  - **5 Puerto Vallarta**
  - **3 Mexico City**
  - **1 Ixtapa**
- ***33 Caribbean***
- ***23 Bahamas***
  - **7 Nassau/ Freeport**
  - **2 Paradise Island**
- ***18 Cruises***
  - **1 Alaska**
  - **1 Mexico**
  - **1 Rhine**
- ***14 Canada***
  - **1 Banff**
  - **1 Montreal**
  - **1 Toronto**
  - **1 Vancouver**
- ***14 England***
- ***10 Bermuda***
- ***9 Europe***
- ***9 Jamaica***
  - **1 Montego Bay**
- ***8 France***
  - **4 Paris**
- ***7 Italy***
  - **4 Rome**
- ***7 Spain***
  - **1 Madrid**
- ***6 Hong Kong***
- ***6 Ireland***
- ***6 Switzerland***
- ***4 Austria***
- ***4 Germany***
  - **2 Munich**
- ***3 Barbados***
- ***3 Portugal***
  - **1 Lisbon**
- **3 St. Maarten**
- **2 Cayman Islands**
- **2 Dominican Republic**
- **2 Greece**
- **1 Africa**
- **1 Aruba**
- **1 Belize**
- **1 Brazil**
- **1 Costa Rica**
- **1 Finland**
- **1 Holland**
- **1 Martinique**
- **1 Monaco**
- **1 Orient**
- **1 Scotland**
- **1 Singapore**
- **1 Yugoslavia**